

# SB 138 (McGuire): Count Me In! Expand Access to School Meals



## Frequently Asked Questions

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### Medi-Cal Direct Certification

#### 1. What is direct certification and why does SB 138 want schools to use Medi-Cal data for direct certification?

To ensure that the most vulnerable children have access to much-needed school meals and to make these programs more efficient, schools are required to automatically certify certain categories of children whose families are most likely to struggle against hunger. Through direct certification, school districts match the names of children living in households that receive CalFresh, CalWORKS, or Food Distribution Program on Indian Reservations (FDPIR) benefits with school enrollment records. This match is then used to certify students for free school meals without the need for their families to complete a school meals application.

In June 2016, California was approved to add in the category of children living in households that receive Medi-Cal (also known as Medicaid nationally) and are below a certain income. This is a major opportunity for the state of California because participation rates for CalFresh are low and CalWORKS is even lower. Thus, direct certification with CalFresh and CalWORKS is unable to accurately portray poverty in our schools. However, California has been very successful at enrolling eligible individuals into Medi-Cal. The California Department of Education estimates that an additional 500,000 eligible students will be identified through direct certification with Medi-Cal.

#### 2. Is there experience in California or other states with Medicaid Direct Certification?

Under the Healthy, Hunger-Free Kids Act of 2010, USDA was required to conduct a demonstration that directly certifies students for free school meals based on income eligibility identified through Medicaid data. In school year (SY) 2012-13, USDA selected 5 states (Florida, Illinois, Kentucky, New York, and Pennsylvania) to participate in the first round of demonstration projects. In SY 2013-14, USDA added Massachusetts, and in SY 2014-15, California was approved to participate. The California demonstration added 14 school districts who began certifying students for free meals with Medi-Cal data in the summer before SY 2015-16.

An national evaluation assessed the impact of Direct Certification with Medicaid data, though it did not include California. While the impact of Medicaid Direct Certification varied by location depending on Medicaid enrollment success, we can see that the pilots had an impact. In New York City, Medicaid Direct Certification increased the percentage of students directly certified to receive free meals by 7%. Across all pilots, the evaluation showed that Direct Certification with Medicaid increased the percentage of meals—

particularly breakfasts—served for free. In NYC the percent of free lunches served increased by 1.5% and breakfast increased by 4%.

We are still analyzing the impact data for California, but San Diego Unified (1 of the 14 school districts in the initial pilot) is seeing even better results than NYC: From April 1, 2015 to April 1, 2016 the Direct Certification percentage increased 13%.

### **3. Why aren't schools using Medi-Cal data already if it's better?**

Currently, only 14 school districts in California are allowed to use direct certification with Medi-Cal data. While the California Department of Education was approved to expand the initial demonstration statewide in SY 15-16, they have set training requirements in place that stall the roll-out until summer 2017. Districts will have to take a training before gaining access to Medi-Cal Direct Certification.

### **4. Does adding Medi-Cal data to direct certification cost districts money?**

Adding Medi-Cal data to the state-level direct certification match should not cost districts any additional money. The California Department of Education (CDE) has collaborated with the California Department of Health Care Services to match student enrollment records against Medi-Cal data. The CDE will distribute the list of matched students through CALPADS, an existing online system that districts are already required to use.

### **5. Is there any state or district cost to doing Medi-Cal direct certification?**

The national evaluation found Direct Certification with Medicaid to be cost neutral for both states and districts. For states, start up-costs were substantially higher than ongoing costs – and California already received USDA grants to build the state system for Medi-Cal Direct Certification. For districts, the evaluation found no statistically significant impacts on total certification costs, or on the costs of any of the types of certification activities examined: direct certification, application, and other activities.

In fact, Medi-Cal direct certification is expected to be a **cost-savings** for the state and districts. With increased direct certification, the number of students that need to be “verified” (which consists of the state and schools tracking down families and gathering additional income documentation) decreases. Furthermore, increasing the number of students certified for free school meals draws-down additional state and federal dollars for school districts.

## **Universal Meals**

### **1. What is a “universal meal provision”?**

Universal meal provisions allow schools to serve meals free of charge to all students. USDA operates these provisions, including Provision 2 and the Community Eligibility Provision (CEP), for schools to provide free meals to all students while simplifying their paperwork, streamlining meal service, decreasing school food service costs, and most importantly, promoting good nutrition and improving student performance. Universally free meals reduce stigma for low-income students by making school meals available, just like any other necessary school supply, such as textbooks or pencils. As of 2016, there are

already 1,615 traditional, non-charter K-12 schools using CEP or Provision 2 to serve universally free meals in California.

## **2. What are the federal universal meal provisions mentioned in SB 138, and how do they work?**

The different universal meal provisions have the same impact upon students, by making meals available to all at no charge, but the way they are administered is different.

Provision 2 is a long-standing option available to any school for providing breakfast, lunch, or both at no charge. Reimbursement is based on the percentage of meals served in each category (free, reduced-price, and full-price) at the time the school begins a four-year cycle. In the first year (the base year), a school determines how many of its students are eligible for free, reduced-price, and full-price meals. A school can use direct certification or household applications to determine students' eligibility. From this count of students, the school calculates what percentage of the student population is eligible for free, reduced-price, and full-price meals. The percentages apply for the remainder of the four-year cycle.

Community Eligibility (CEP) is a new, federally-authorized option from the Healthy, Hunger-Free Kids Act of 2010. It became available to California schools in 2014. CEP enables high-poverty schools to serve breakfast and lunch to all students at no charge without collecting school meal applications. CEP is designed to benefit high-poverty schools. It relies upon enrollment through direct certification, which identifies students participating in means-tested programs like CalFresh and CalWORKS. CEP operates on a four year cycles, similar to Provision 2.

CEP uses a formula to determine the federal reimbursement for meals served to students:

$\% \text{ of Identified Students} \times 1.6 = \% \text{ of Meals Reimbursed at the "Free" (Highest) Rate}$   
All other meals are reimbursed at the "paid" (lowest) rate of reimbursement

For example, if 60% of students meet the "identified" criteria, 96% of meals will be reimbursed at the "free" (highest) rate of per-meal federal reimbursement ( $60\% \times 1.6 = 96\%$ ), with the remaining 4% of meals reimbursed at the lower "paid" rate.

## **3. What is the definition of "very high poverty" schools in SB 138, and where does it come from? How many schools meet this definition? How would a school district know if they have any "very high poverty" schools?**

SB 138 looks to CEP to define "very high poverty" schools.

***Very High Poverty School:*** A school with an "identified student percentage" that is high enough for all meals to be reimbursed at the highest, "free" reimbursement rate.

As previously described, CEP uses a formula to determine the federal reimbursement for meals served to students, based on the number of "identified students" — children eligible for free school meals who already are identified by direct certification.

Currently the federal CEP multiplier is at 1.6, which means a school with an “identified student percentage” of 62.5% would be considered “very high poverty” under SB 138. If the federal multiplier changes, SB 138’s definition is responsive to ensure that school districts are always made whole through federal funding.

As of 2016, there are 223 schools that have an “identified student percentage” of 62.5% that would meet the definition of “very high poverty” under SB 138. Once Medi-Cal Direct Certification is in place to more effectively enroll low-income students, we anticipate the number of schools deemed “very high poverty” to grow to approximately 1800 schools throughout the state. More than half of those schools already operate a universal meal provision.

**4. School districts are already constrained by extremely tight budgets. What is the fiscal impact of SB 138 on schools to operate a universal meal provision?**

SB 138 is intended to be fiscally beneficial to school districts. CEP is designed to be financially viable for high poverty schools and districts with high proportions of students that participate in needs-based assistance programs. While CEP and Provision 2 can be successfully implemented at schools with lower rates of poverty, SB 138 only impacts schools with an “identified student percentage” of at least 62.5%, which would result in all meals served being reimbursed at the federal “free” rate under CEP. This ensures that schools receive the highest possible level of funding for school nutrition.

Many districts with high labor costs or fluctuating budgets report that CEP is the best way for school nutrition programs to remain stable and fiscally viable. Provision 2 has been used by schools for decades, and also provides many cost savings and fiscal benefits should schools prefer to use that option.

**5. School districts must collect annual income data on students for LCFF and Title I. Does using a universal meal provision impact their ability to do so?**

No. This misperception has likely kept California school administrators from fully utilizing CEP or Provision 2 for school breakfast and lunch. While funding programs, including LCFF, Title I, and E-Rate, have traditionally used household school meal applications to determine levels of education funding, SB 138 does not compromise schools’ ability to submit the necessary unduplicated pupil income data.

The CDE, the U.S. Department of Education, and the Federal Communications Commission have issued comprehensive guidance on the available options related to LCFF, Title I, and E-rate for school districts that are participating in CEP and Provision 2. To reduce the burden of data collection, Provision 2/3 and CEP schools may establish an “LCFF base year” for LCFF purposes. Schools using this option collect income data for all eligible students at least once every four years, and collect income data for every newly enrolled student in the intervening years. In the absence of school meal applications, schools can utilize simplified alternative individual income forms to receive full funding from the LCFF. The CDE has several sample forms available, which only require a checkbox and signature.

The U.S. Department of Education has multiple options available to schools for Title I funding, including the use of Medicaid data and the use of the CEP claiming rate, which would maximize Title I funding for schools under SB 138. The Federal Communications Commission’s permanent policy regarding CEP schools is even more straightforward: CEP schools should use their CEP claiming rate (which would consider all “very high poverty” schools under SB 138 as having 100% low-income students).

**6. What if only one or two schools in a district are considered “very high poverty” under SB 138? Is it difficult for districts to operate a universal meal provision in some schools, but not in others?**

Many California districts already successfully operate a universal meal provision in selected schools, while some opt to use provisions district-wide. Under SB 138, districts may operate a universal meal provision at a single “very high poverty” school site without making any changes to additional schools. However, under CEP, districts may also choose to “group” schools together using a combined claiming percentage. Grouping schools can be an effective strategy to increase the financial viability of CEP election and maximize federal reimbursements. Within the same district, there can be multiple groupings of schools in addition to individual schools that elect CEP.

**7. Why is there an opt-out for districts facing fiscal hardship? Aren’t universal meal provisions the most fiscally solvent way to operate school meal programs in high-poverty schools?**

Due to the tiered federal reimbursement rates for school meals and economies of scale and revenue derived by higher student participation, higher-poverty school districts tend to maintain fiscal solvency in school nutrition programs. School nutrition finances tend to be most challenging in affluent districts, where fewer students qualify for free or reduced price meals and fewer opt in to purchase school meals. While most districts expect their school nutrition programs to be self-sustaining and operate “in the black”, the State does not set an expectation nor are schools restricted from using general education funds to supplement nutrition programs. As such, some school nutrition programs draw from a district general fund for various reasons: difficulties in attracting student participation; inefficient financial management (such as a low ‘meals per labor hour’ rate); or local policies or practices that raise the cost of business.

Relatively recent audits of California district nutrition programs have more commonly identified the opposite problem: school districts diverting funds out of the cafeteria fund to the General fund (see [2013 Food Fight Report](#), and subsequent [2014 State Auditor Report](#)). This [EdSource article](#) gives an overview of California school district spending plans to ensure that they reinvest excess cafeteria funds into nutrition, as required by law. A publicly available school district nutrition program from [Napa Valley Unified](#) includes recommendations to increase student participation- they specifically recommend using federal universal free meal provisions in high poverty schools. SB 138 is based on a strategy of fiscal viability.

That said, districts have the local discretion to adopt practices and policies that change the traditional finance structure of school nutrition programs. This can include policies intended to benefit children, like serving all children full meals regardless of ability to pay for them (eg, Oakland Unified and SF Unified), by subsidizing the cost of reduced-price meals so that reduced-price category children eat free (eg, San Diego Unified and Novato Unified), or utilizing higher food procurement and nutrition standards than required by state and federal law (eg, LAUSD). Many districts still stay ‘in the black’ with these choices, while others chose to support these choices with district General Funds. As such, SB 138 includes a fiscal hardship opt-out so that school boards can evaluate which path to take, given their existing practices and policies, to provide optimum nutrition for their students. SB 138’s call for universal meal provisions in very high poverty schools is fiscally beneficial, but some schools may need time to get there.

## Additional Questions

### 1. Which districts would be most impacted by SB 138?

All California school districts stand to benefit from SB 138's improved direct certification with Medi-Cal data by increasing the effectiveness of identifying low-income students and enrolling them into school meal programs without a separate application from families.

Some types of school districts have even more to gain under SB 138, including:

- School districts in counties where CalFresh participation is significantly lower than Medi-Cal enrollment, which includes counties like Colusa, Mono, San Mateo, and Los Angeles.
- School districts like Fresno Unified and LAUSD, who use [CEP in all their high-poverty schools](#), but haven't had the benefit of utilizing Medi-Cal data to improve their Direct Certification rate.
- School districts that enroll a significant number of children from immigrant or low-literacy families, who may be intimidated to complete school meal applications requesting additional income information.
- Small districts that lack staff capacity to monitor federal policies that may impact their bottom line and the services that students receive. Very small schools already prefer using universal meal provisions, as it reduces administrative burdens on schools with limited administrative support.

### 2. How would changes in federal policy impact California schools if SB 138 is implemented?

SB 138 would protect California children and school districts from potential changes to federal policy. There are several scenarios in which federal policy could change, and in each instance, SB 138 can mitigate harm to California.

- Increased verification requirements for school meal programs: SB 138 would protect schools and families from a harmful and burdensome verification requirement. Recent Congressional proposals would greatly increase the number of school meal applications that California districts would need to verify by requiring families to submit financial proof of eligibility to the school districts. Currently, districts must verify 3% of applications during the USDA-CDE Administrative Review every 3 years. If these Congressional proposals were to become law, California districts would have to verify 10% of all paper applications received. This verification process is extremely time consuming for districts, and causes most families to drop off the meal programs. However, when students are directly certified through means-tested programs, they do not need be further verified. SB 138 improves direct certification, thus reducing potential verification burdens.
- Change to CEP eligibility or multiplier: SB 138 is written to be responsive to any changes to the CEP eligibility threshold or changes to the federal multiplier. The definition of "very high poverty" schools and the requirement to use a universal meal provision would only apply to schools who can receive the full, maximum federal funding – even if federal regulations change.
- Medicaid cuts or block granting: Cuts to Medicaid could severely impact California's most vulnerable children and communities in many ways. Regardless of funding cuts, SB 138 would extend ancillary, preventive health benefits by ensuring that children enrolled in Medicaid have improved access to free and reduced price school meals.