

Overview Community Eligibility Provision (CEP)

House Appropriations Committee

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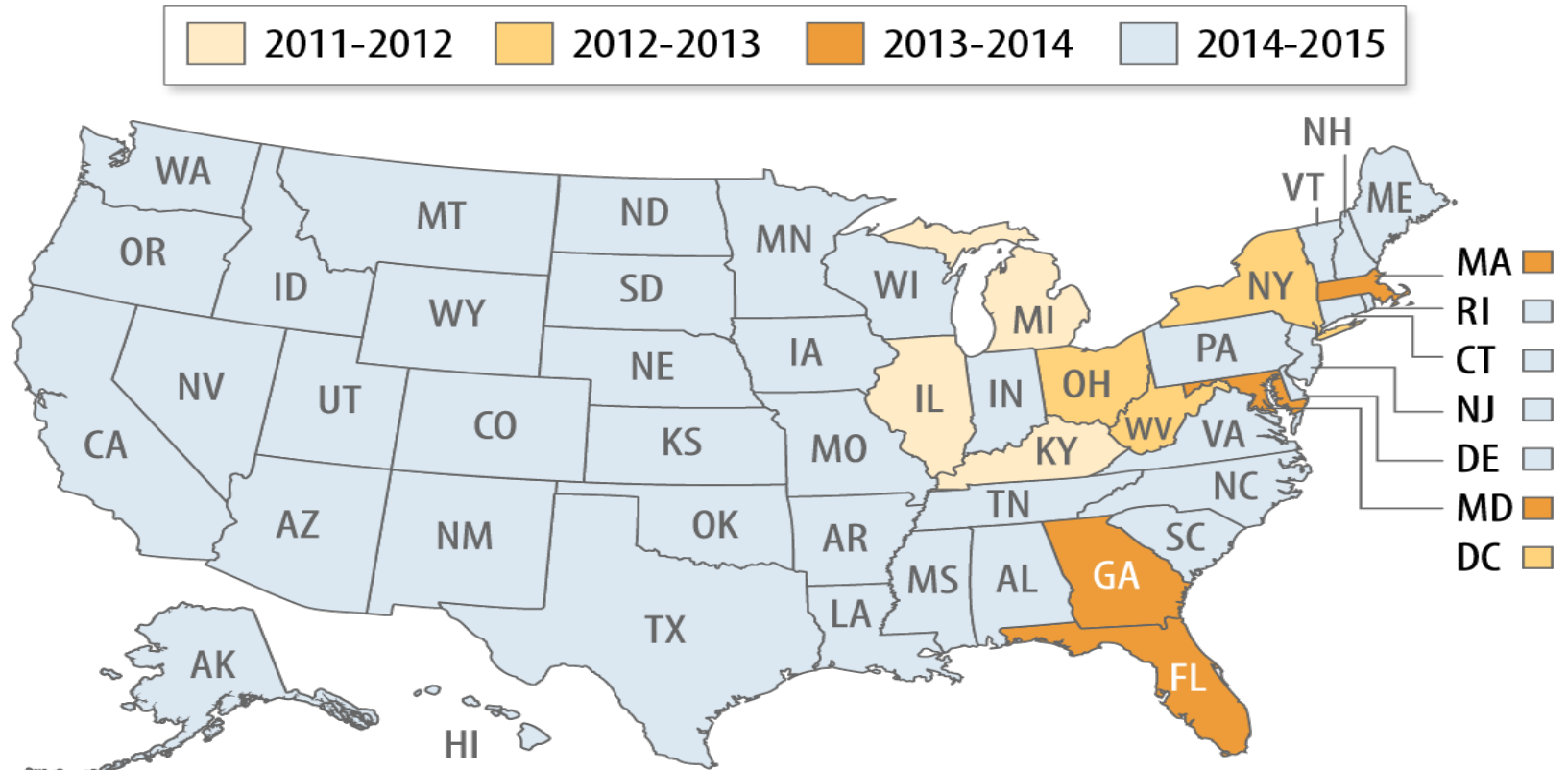
What is the Community Eligibility Provision Program? Background

- The Healthy, Hunger Free Kids Act of 2010, amended the National School Lunch Act in order to provide individual schools or divisions, that predominately serve low-income students, with a new alternative for meal certification program called Community Eligibility Provision (CEP)
- Main purpose and objective of the program is intended to increase low income students' access to free meals at school
- Under the program, a participating school agrees:
 - Not to collect or process meal paper applications and instead use direct certifications to determine student eligibility
 - Serve breakfast and lunch meals at no cost to all enrolled students
 - Accept the federal reimbursement rates for actual meals served
 - Agree to cover any costs that exceed the federal reimbursement amounts with non-federal revenues – such as a carry-forward balance or a division-level subsidy



Start-up and Implementation

CEP was initially phased-in during the first three years in 10 states & D.C. Now is rolled out nation-wide as of July 1, 2014



Source: USDA decisions under the Healthy, Hunger-Free Kids Act of 2010

Center on Budget and Policy Priorities | cbpp.org



Calculation for Federal Reimbursement Rates

- The program has a specific formula it uses to determine the rates:
 - First - identify eligible students through some type of direct certification method that requires a means-test for enrollment or another type of need-based assessment program:
 - Supplemental Nutrition Assistance Program (SNAP)
 - Temporary Assistance for Needy Families (TANF)
 - Enrolled in Head Start or Even Start programs
 - In foster care, homeless, runaway or migrant
 - Second – divide the total number of identified eligible students by the total number of enrolled students in the school and multiply by 100 to get the school’s Identified Student Percentage (ISP) – for example:

$$\frac{400 \text{ identified eligible students}}{1,000 \text{ enrolled students in school}} \times 100 = 40.0\% \text{ Identified Student Percentage}$$

- Enrolled students are those who have access to a school breakfast and/or lunch meal each day
 - ✓ ISP figures exclude any student that is not directly certified – i.e. those that would have qualified by submitting a school lunch application



CEP Process - Determining Reimbursement and Claiming Percentages

- Third – multiply the ISP by a factor of 1.6 and then apply the adjusted ISP to the total meals served to determine the percentage of meals eligible for reimbursement at the free rate and the remaining number of total meals served are reimbursed at the paid rate – for example:

$$\begin{aligned} & \underline{40.0\% \times 1.6 = 64.0\% \text{ claiming rate for free reimbursement}} \\ & \mathbf{64.0\% \times 100 \text{ meals served} = 64 \text{ meals reimbursed at the free rate}} \\ & \mathbf{100 - 64 = 36 \text{ meals reimbursed at the paid rate}} \end{aligned}$$

- The Center for Budget Policy Priorities completed an analysis that showed, on average, for every 10 Identified Students there were six more students certified based on an income application
 - ✓ On average, some schools will be on the higher end and some on the lower but it serves as an averaged proxy across low income schools
- Although the multiplier factor is currently set at 1.6 for divisions that are participating this year, it can actually range from 1.3 to 1.6
 - ✓ No assurance that a lower factor would or would not be used in future



3 Possible Ways to Participate

- **By school division**

- All schools in the division participate as a single group with the same free claiming percentage as long as the division's ISP average is 40% or higher as of April 1st for the school year prior to implementing in the program

- **By individual school**

- Individual schools with 40% or more ISP

- **By school group**

- Divisions may choose to group any combination of schools and then calculate the free claiming percentage for the group of schools as a whole, using their combined enrollment and total number of Identified Students, as long as the averaged ISP is 40% or higher
- Within the same school division, some schools can participate individually and some can participate as a group
- There is no limit to the number of groups



Annual Review of Identified Student Percentage (ISP)

Although the program is structured in 4-year period cycles – participation for all 4 years is not mandatory

During the 4-Year Cycle:

- For each subsequent year of participation (2nd, 3rd and 4th), the program allows schools and divisions to update their prior year's ISP to be the higher of:
 - The year directly prior the start of the next year
 - The year prior to the first year of operating CEP program
- Divisions are allowed to end program for the next year in any participating school by notifying the state by June 30th of the current school year



Annual Review of Identified Student Percentage (ISP)

For a New Cycle:

- To begin a new 4-year cycle, divisions or schools must establish a new ISP as of April 1st of the last year of the previous cycle
- Divisions may begin a new 4-year cycle if all eligibility criteria are met, with state's DOE review
- Divisions or schools in year 4 with an ISP of less than 40% but more than 30% may elect for an additional year (a grace year)



Participation & Procedures

- School divisions that intend to participate in CEP must:
 - Submit an application by June 30th of the year prior to starting CEP to the state's DOE
 - Documentation has to show that the CEP school or division meets the Identified Student Percentage threshold of at least 40% as of April 1st of the prior school year
 - Note: not all schools in a group or in the division-wide applications have to meet the 40% threshold – just the grouped average
- State's DOE is required to review submitted application to make sure that the division or school:
 - Meets the minimum Identified Student Percentage
 - Participates in both the NSLP (lunch) and SBP (breakfast) programs
 - Has a record of administering the two meal programs in accordance with federal program regulations



Department of Education Requirements

- Each year, by April 15, states are required to provide school divisions with any needed guidance and a Notification List of eligible schools in the following categories:
 - Division-wide:
 - Eligible Identified Student Percentage of at least 40%
 - Near-eligible Identified Student Percentage greater than 30% but less than 40%
 - Divisions that are currently operating CEP district wide
 - Schools that are currently in their 4th year of CEP
 - Eligible for a grace year (less than 40% but greater than 30%)
- By May 1st each year, states are required to publish lists of eligible and near-eligible divisions and schools on their DOE websites for public notification



Virginia's Experience

- *Divisions Participation*
- *Impact on State Funding*

Issues & Concerns of Eligible School Divisions – Participating & Non-Participating

- For those eligible divisions that have decided not to participate or selected only a limited number of schools this year, there were a number of concerns that have been collectively expressed from a representative group of divisions: Henrico, Chesterfield, Suffolk, Hampton, Franklin County and Richmond City
 - Uncertainty of how much funding would be received from CEP reimbursements –
 - Eligible student percentages are calculated as of April 1st data for the next year – but reimbursements are paid based on the number of meals served
 - Schools have to cover any unreimbursed operational costs to at least break even in the program
 - Loss of key indicator of poverty (income eligibility verified thru meal applications)
 - Impact to private grant opportunities – finding another indicator for poverty will a challenge
 - Other federal grant programs – Title I, E-Rate – possible loss of revenues



Issues & Concerns of Eligible School Divisions – Participating & Non-Participating

- Uncertain of the future of program and federal CEP funding levels – whether the multiplier will change from 1.6 to something less
- Student inequity between participating and non-participating schools
 - Free meals for those students at CEP schools, that would otherwise have to pay at the reduced or full-priced meal rates but the same student would pay at a non-CEP school
- Divisions that have only some participating schools must still collect and process the meal applications from the non-participating schools
- Waiting for participating schools to work out implementation problems & ‘wrinkles’
 - Want to see the track record from participating schools for success sustainability and lessons learned



Example of Possible Reimbursements for a CEP School with \$110,000 in Food Service Operational Costs

	<u>School A</u>		<u>School B</u>	
<u>Scenario</u>	<u># 1</u>	<u># 2</u>	<u># 1</u>	<u># 2</u>
<u>Step 1: Calculate Identified Student Percentage</u>				
SNP Enrolled Students <i>(all eligible to eat for free)</i>	1,000	1,000	1,000	1,000
Identified Students <i>(direct certification)</i>	400	400	625	750
Identified Student Percentage (ISP)	40%	40%	62.5%	75.0%
<u>Step 2: Calculate Free & Paid Percentages</u>				
Current CEP Multiplier	1.6	1.6	1.6	1.6
FREE Claiming Percentage Rate <i>(ISP x 1.6)</i>	64%	64%	100%	100%
PAID Claiming Percentage Rate <i>(100% - Free Claiming %)</i>	36%	36%	0%	0%
<u>Step 3: Determine Monthly Reimbursement for Meals Served</u>				
Total meals served/month <i>(1,000 students x 2 meals/day x 18 school days in the month)</i>	36,000	30,000	36,000	30,000
# of Free Meals <i>(total meals served x Free Claiming %)</i>	23,040	19,200	36,000	30,000
# of Paid Meals <i>(total meals served – free meals)</i>	12,960	10,800	0	0
<u>Step 4: CEP Payment based on Current Reimbursement Rates</u>				
Free Meal Rate @ \$3.06 <i>(maximum reimbursement rate)</i>	\$70,502	\$58,752	\$110,160	\$91,800
Paid Meal Rate @ \$0.28	<u>\$3,629</u>	<u>\$3,024</u>	<u>\$0</u>	<u>\$0</u>
TOTAL REIMBURSEMENT	\$74,131	\$61,776	\$110,160	\$91,800



Virginia CEP Participation for FY 2015

Division	Partic. Election	Total # of Elig. Schools in Div. / # in CEP	Student Membership in CEP Schools	Identified Student Percentage (ISP)	Reimbursement Claiming % for Free Rate (ISP x 1.6)
Franklin City	Division-wide	3 / 3	1,243	47.47%	75.95%
Brunswick		5 / 5	1,927	51.48%	82.37%
Richmond City		44 / 44	23,183	61.77%	98.83%
Petersburg		8 / 8	3,856	71.11%	100%
Hampton	Groups	34 / 6	2,695	62.39% - 63.14%	99.82% - 100%
Greensville	Individual Schools	4 / 2	1,337	51.02% - 53.99%	81.63% - 86.38%
Franklin County		17 / 2	709	51.87% - 53.13%	83.99% - 85.00%
Suffolk		19 / 3	1,867	53.21% - 55.11%	85.13% - 88.18%
Fredericksburg		5 / 2	1,073	42.54% - 82.97%	68.06% - 100%
Portsmouth		24 / 3	1,365	63.46% - 76.80%	100%
Norfolk		52 / 8	3,656	67.80% - 97.17%	100%
Statewide Total			215 / 86	42,911	



Statewide CEP Data for FY 2015

- Division-level: 135 school divisions
 - 90 are eligible to participate in CEP (at least 1 school)
 - 11 are participating – about 8.0% of all divisions statewide
- School-level: 1,892 school-based locations
 - 436 are eligible to participate in CEP, or 23.0%
 - 335 schools eligible for CEP reimbursement (40% - 62.4%)
 - ✓ $40\% \times 1.6 = 64.0\%$ reimbursement at free rate and 36% at paid rate
 - ✓ $62.4\% \times 1.6 = 99.8\%$ reimbursement at free rate and 0.2% at paid rate
 - 101 schools eligible for 100% CEP reimbursement (at least 62.50%)
 - 86 are participating , or 4.5% statewide
- Student-level: 1,244,897 students in current school nutrition program
 - 42,911 students in participating CEP schools, or 3.4%



Concerns at the State Level – Impact on Funding Formulas is Unknown

- Currently there are seven programs in Direct Aid that use the free lunch eligibility data to determine state funding
- These program initiatives are designed to provide additional financial support for low-income or at-risk students – total \$402.6 million in FY 2015
 - K-3 Class Size Reduction: \$118.0 million
 - Prevention, Intervention & Remediation: \$100.9 million
 - At-Risk Add-on: \$89.7 million
 - Pre-K: \$72.0 million
 - SOL Algebra Readiness: \$12.3 million
 - School Lunch: \$5.8 million
 - School Breakfast: \$4.1 million
- The impact of not having FY 2015 free lunch data available has put the next rebenchmarking process (FY 2016-2018) in flux as no policy decisions have been made yet to address funding alternatives
 - No eligibility data collected from the 4 divisions (division-wide CEP)
 - Combination of availability from 7 divisions (selected schools)
 - Remaining 121 divisions will have data available (not participating in CEP this year)



Concerns at the State Level – Impact on Funding Formulas is Unknown

- Department of Education will begin the rebenchmarking process for FY 2016-2018 during the spring 2015 – usually present the initial cost estimates at the state Board of Education meeting in July
 - Absent of any policy decisions made to address the impact from the CEP program – the state funding for those seven programs will be unknown
 - School divisions will not have that preliminary state revenue data to help with their budget proposals
 - State will have less rebenchmarking cost information -- which may impact preliminary agency budget planning for the new biennium
- Possible options to consider for policy discussions:
 - CEP schools would collect household income information each year and submit to DOE for the purpose of calculating state funding for affected programs
 - Use the last collected free lunch eligibility data for CEP schools – and freeze percentage going forward
 - Use the Identified Student Percentage (ISP) w/o the 1.6 multiplier
 - Use ISP % with the 1.6 multiplier
 - Use lower of last percentage collected or the ISP w/ the 1.6 multiplier
 - Use lower of last percentage collected or the ISP w/o the 1.6 multiplier
 - Use average of last percentage collected or the ISP w/ the 1.6 multiplier
 - Use average of last percentage collected or the ISP w/o the 1.6 multiplier



Potential Impact of Not Collecting Free & Reduced Eligibility

- Without using the same type of free lunch eligibility for allocating state funding, it will not be possible to treat all school divisions equitably
- For CEP schools:
 - Using the Identified Student Percentage will potentially under estimate the Free Lunch eligibility and result in less state funding
 - Applying the 1.6 multiplier to the Identified Student Percentage would potentially over estimate the state's costs for funding impacted programs
- DOE's posted list of eligible schools:
 - <http://doe.virginia.gov/support/nutrition/statistics/index.shtml>
 - >> [CEP Sites Potentially Eligible for SY 2014-2015.xls](#)

