



# Healthy School Meals for All

*Placed on the ballot by the legislature • Passes with a majority vote*

## Proposition FF proposes amending the Colorado statutes to:

- create the Healthy School Meals for All program to provide access to free meals for all public school students in Colorado; and
- pay for the program by increasing the taxes paid by households with incomes of \$300,000 or more and by using additional federal funding for school meals.

## What Your Vote Means

**YES** A “yes” vote on Proposition FF creates a program to provide access to free meals to all public school students in Colorado and offer grants to schools related to the provision of school meals. It also increases taxes for households with over \$300,000 in federal adjusted gross income by limiting state income tax deductions.

**NO** A “no” vote on Proposition FF means that the current method of funding school meals, which provides free meals to children from households with incomes below certain thresholds, will remain unchanged, and there will be no change to tax law.

## Summary and Analysis for Proposition FF

### What does the measure do?

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

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

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

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

### Who can participate in the program?

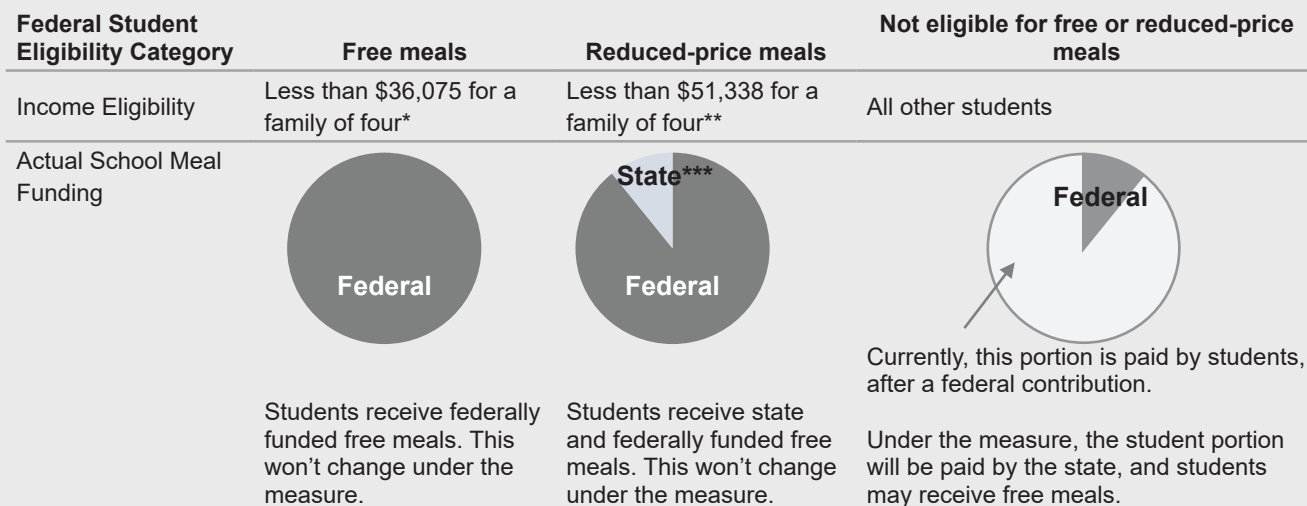
Any school meal provider can participate in the program. A school meal provider manages school food programs within its area, and may be a school district, charter school, group representing several school districts or charter schools, or another entity that participates in the National School Lunch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

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

### Who pays for school meals now?

Currently, schools receive money from the state and federal governments, as well as payments from families, to pay for student meals. Federal programs, like the federal School Breakfast Program and National School Lunch Program, reimburse school meal providers for all or a portion of the cost of meals, based on a student’s family income. In

**Figure 1**  
**School Meal Reimbursements**  
**Eligibility Categories and Funding Sources**



\*Less than 130% of federal poverty guideline; annual income for budget year 2022-23

\*\*Less than 185% of federal poverty guideline; annual income for budget year 2022-23

\*\*\*This portion is paid by the federal government in the 2022-23 school year only. The state covered this portion before the pandemic, and will continue to do so in future years.

Colorado, students eligible for reduced-price meals receive free meals because the state covers the student's portion of the cost. As a result, some students pay full price for a school meal and some eat for free, as shown in Figure 1.

**Changes due to COVID-19.** In the spring of 2020, when the COVID-19 pandemic first disrupted the country's public education system, the federal government covered the cost to provide free school meals to all students. This temporary reimbursement recently ended, meaning that students who are not eligible for free or reduced-price meals have to pay for meals during the 2022-23 school year.

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

**How is the new program funded?**

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

**Increased state income tax revenue.** Beginning in tax year 2023, the measure increases state income taxes paid by households with at least \$300,000 in federal adjusted gross income by limiting the amount of money they can deduct from their Colorado taxable income. These households will be limited to \$12,000 in state income tax deductions for single filers and to \$16,000 for joint filers. This will affect an estimated 113,988 returns, or about 5 percent of returns filed in Colorado. The limit applies to either the taxpayer's standard deduction or itemized deductions. Expenses most often included in itemized deductions are charitable contributions, state and local taxes, and mortgage interest.

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

The measure is expected to increase income tax revenue to the state by \$100.7 million in budget year 2023-24, the first full year the tax change will be in effect. This money is not subject to the state's constitutional revenue limit.

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

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

#### How will the program be monitored?

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

<https://www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html>

#### Arguments For Proposition FF

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

<b>Component</b>	<b>Current Law</b>	<b>Under Measure</b>	<b>Change</b>
Adjusted Gross Income <i>minus</i>	\$375,000	\$375,000	
Standard Deduction* <i>equals</i>	\$25,900	\$25,900	
Federal Taxable Income <i>plus</i>	\$349,100	\$349,100	
Add Back (deductions - limit) <i>equals</i>	\$0	\$9,900**	
Colorado Taxable Income <i>multiplied by 4.55% equals</i>	\$349,100	\$359,000	
State Income Taxes	\$15,884	\$16,335	\$450

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

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

## Arguments Against Proposition FF

- 1) The measure raises taxes on some households at a time when inflation is high and the cost of living is increasing. Higher taxes mean that those taxpayers will have less money to save or invest in the economy. Those dollars are best used by individuals and families in a way that they see fit.
- 2) The state should not pay to feed kids who can afford to purchase a school meal or bring food from home. Feeding kids should be the role and responsibility of the parents or caregivers, not the government. The measure requires ongoing state funding, resources, and oversight for a program that is not needed by all students.
- 3) Colorado schools are underfunded. If voters want to increase taxes to help students, it would be better to give local school districts new funding to use in a way that best serves their students, such as increasing teacher salaries or providing additional educational materials and opportunities.

## Fiscal Impact for Proposition FF

Proposition FF increases state revenue and spending beginning in state budget year 2022-23.

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

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

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

Income Category	Estimated Number of Taxpayers*	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 \$149,999	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
<u>\$250,000 to \$499,999</u>	<u>118,749</u>		
\$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
<b>Total</b>	<b>2,573,198</b>	<b>+\$100.7 million</b>	
<i>Income under \$300,000</i>	<i>2,064,694</i>	<i>\$0</i>	<i>\$0</i>
<i>Income above \$300,000</i>	<i>113,988</i>	<i>+\$100.7 million</i>	<i>+\$884</i>

\*The estimated number of taxpayers counts joint filers as one taxpayer.

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

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 analysis shows a wide range of potential costs.

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

**School district revenue and spending.** 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 the components of the program in which a district chooses to participate. This revenue will be used to pay school district costs to provide meals to students and increase employee wages. School districts will also have additional workload to adjust to new data, documentation, and grant program requirements.

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

## State Spending and Tax Increases

Article X, Section 20, of the Colorado Constitution requires that the following fiscal information be provided when a tax increase question is on the ballot:

- estimates or actual amounts of state fiscal year spending for the current year and each of the past four years with the overall percentage and dollar change; and
- for the first full year of the proposed tax increase, estimates of the maximum dollar amount of the tax increase and of state fiscal year spending without the increase.

“Fiscal year spending” is a legal term in the Colorado Constitution. It equals the amount of revenue subject to the constitutional spending limit that the state or a district is permitted to keep and either spend or save for a single year. Table 3 shows state fiscal year spending for the current year and each of the past four years.

	<b>Actual FY 2018-19</b>	<b>Actual FY 2019-20</b>	<b>Actual FY 2020-21</b>	<b>Actual FY 2021-22</b>	<b>Estimated FY 2022-23</b>
Fiscal Year Spending	\$14.36 billion	\$14.87 billion	\$15.64 billion	\$16.01 billion	\$16.66 billion
Four-Year Dollar Change in State Spending: \$2.30 billion					
Four-Year Percent Change in State Spending: 16.0 percent					

Table 4 shows the revenue expected from the limit on income tax deductions in Proposition FF for FY 2023-24, the first full fiscal year for which the tax increase would be in place, and an estimate of state fiscal year spending without the tax increase.

	<b>FY 2023-24 Estimate</b>
Fiscal Year Spending Without the Tax Increase	\$20.88 billion
Revenue Increase from the Limit on Income Tax Deductions	\$100.7 million