

# Cost Estimation

## Removing the Reduced-Price Meal Co-pay

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Under current United States Department of Agriculture (USDA) guidelines, Arizona schools participating in the National School Lunch Program and the School Breakfast Program are reimbursed for the meals they serve students through federal dollars and co-pays from student families. Reimbursement levels are based on a three-tiered system (described in Table 1) where the level of reimbursement from the USDA decreases as the student's family income-based co-pay, the amount that schools charge families for meals, increases.

**Table 1. Eligibility criteria, family co-pays, and USDA reimbursement by school meal eligibility category.**

| Eligibility Category | Eligibility Criteria       | Family Co-pay – Breakfast                                     | Family Co-pay – Lunch | USDA Reimbursement – Breakfast <sup>4</sup> | USDA Reimbursement – Lunch <sup>4</sup> |
|----------------------|----------------------------|---|-----------------------|---|---|
| Free Meals           | <130% FPL <sup>1,2</sup>   | \$0   | \$0                   | \$2.47                                      | \$4.34                                  |
| Reduced-Price Meals  | 131%–185% FPL <sup>3</sup> | \$0.30/meal   | \$0.40/meal           | \$2.14                                      | \$3.94                                  |
| Paid Meals           | >185% FPL                  | Set by schools with guidance from USDA Paid Lunch Equity Tool |                       | \$0.50                                      | \$0.78                                  |

1. FPL= federal poverty level. See 2022 Poverty Guidelines, Office of the Assistant Secretary for Planning and Evaluation, US Department of Health and Human Services. <https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines>
2. \$2,379/month or \$28,548/year for a family of 3
3. \$2,380–\$3,386/month or \$28,549–\$40,626/year for a family of 3
4. Values are for the most recent year published on the USDA website (SY2022-2023), which includes a pandemic-related increase in per-meal reimbursement of \$0.15 for breakfast and \$0.40 for lunch. For lunch, the rate for schools with <60% free or reduced-price meals (FRPM) and >60% FRPM were averaged to get one reimbursement value. Similarly, for breakfast, the non-severe need and the severe need were averaged.

For this analysis, our goal was to **estimate the cost to the State of Arizona if the breakfast and lunch co-pays for students that qualify for reduced-price meals were covered by the state**. In this scenario, school meals will be reimbursed by the USDA at current levels, but instead of low-income families paying the reduced-price meal co-pay, the state would cover those costs. This program will benefit low-income families in Arizona who do not qualify for free meals; for example, those that make between \$28,549–\$40,626 per year for a family of 3. The benefits to students, families, and schools of increased access to school meals have been summarized elsewhere on the Arizona Food Bank Network website.

**To estimate the cost to the state associated with implementing this policy, we used three pieces of key information:**

1. The **required family co-pay amounts** for reduced-price breakfast and lunch that are set by the USDA (\$0.30 and \$0.40 respectively).
2. **School meal participation data.** We gathered the most recent school meal participation data for the period *not* impacted by the COVID-19 pandemic, school year 2018-2019. Given the unprecedented upheaval of “typical” operations and participation during the pandemic, the selected school year was believed to be the best representation of *usual* school meal participation.
3. **Data on expected changes in meal participation rates** when free meal eligibility is expanded, based on published research studies.

Using previously published data,<sup>3-6</sup> we estimated three different participation scenarios. Each scenario provides a slightly different estimation of how many additional meals are expected to be served as a result of reduced-price meals becoming free to students. Based on these estimates, we anticipate that 11-17.5 percent more students eligible for reduced-price meals will participate in school lunch and 9-21 percent more will participate in school breakfast. To calculate the cost if co-pays were to be covered by the state, we multiplied the total number of breakfast and lunch meals that will be served in the reduced-price category, which includes current participation and the estimated increase in participation, by the corresponding co-pay amounts. Three estimated costs are provided in table 2 and range between \$4,380,652 to \$4,691,743 per school year, with the average of three estimates being \$4,510,384. We also present estimates for the additional number of breakfast and lunch meals projected to be served to low-income students. Everything else being equal, the meals within this category are expected to increase from 7.8% to 8.5% of all breakfast meals served and from 10% to 10.9% of all lunch meals served.

**Table 2: Estimates of cost and number of projected additional meals served per year if Arizona were to provide free school meals to children in the reduced-price eligibility category.<sup>1</sup>**

|                                 | Additional Meals Served to Students in the Reduced-price Category |           |           | Total Meals Served to Students in the Reduced-Price Category <sup>2</sup> |           |            | Annual Cost for All Meals Served in the Reduced Price Category <sup>3</sup> |             |             |
|---------------------------------|---|-----------|-----------|---|-----------|------------|---|-------------|-------------|
|                                 | Breakfast   | Lunch     | Total     | Breakfast   | Lunch     | Total      | Breakfast   | Lunch       | Total       |
| <b>Estimate 1<sup>4</sup></b>   | 501,908   | 860,373   | 1,362,281 | 3,740,026   | 8,341,876 | 12,081,902 | \$1,122,008   | \$3,336,750 | \$4,458,758 |
| <b>Estimate 2<sup>5,6</sup></b> | 680,005   | 1,309,263 | 1,989,268 | 3,918,123   | 8,790,766 | 12,708,889 | \$1,175,437   | \$3,516,306 | \$4,691,743 |
| <b>Estimate 3<sup>7</sup></b>   | 291,431   | 822,965   | 1,114,396 | 3,529,549   | 8,304,468 | 11,834,017 | \$1,058,865   | \$3,321,787 | \$4,380,652 |

**Notes and Citations**

1. Participation estimates do not consider schools that participate in the Community Eligibility Provision (CEP) as those schools are already able to offer free school meals to all of their students and are federally reimbursed for those meals using a different funding model.
2. Includes projected additional meals and current meal participation level in the reduced-price category.
3. Projected costs include the cost of co-pays for all meals served in the reduced-price meal category, including projected additional meals.
4. Estimate 1: Estimated increases in participation were informed by a national sample of elementary and middle schools, data were collected between 2013-2015. [Tan et al. 2020.](#)
5. Estimate 2: Estimated increases in participation for breakfast were informed by the free breakfast program in NYC. Data was collected from elementary and middle schools from 2001-02 to 2007-08. [Leos-Urbel et al., 2013](#)
6. Estimate 2: Estimated increases in participation for lunch were informed by a [USDA report](#) published in 2016.
7. Estimate 3: Estimated increases in participation were informed by a USGAO report that examined 5 states and 35 districts that removed the reduced-price category. [Brown, K., 2010.](#)