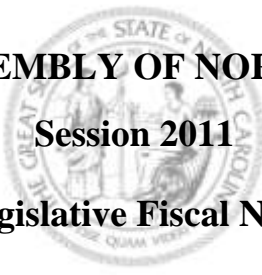


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2011

Legislative Fiscal Note

BILL NUMBER: Senate Bill 415 (Second Edition)

SHORT TITLE: Eliminate Cost/Reduced-Price Sch Breakfast.

SPONSOR(S): Senator Purcell

<b>FISCAL IMPACT</b>					
	<b>Yes ( )</b>	<b>No ( )</b>	<b>No Estimate Available (X)</b>		
	<b><u>FY 2011-12</u></b>	<b><u>FY 2012-13</u></b>	<b><u>FY 2013-14</u></b>	<b><u>FY 2014-15</u></b>	<b><u>FY 2015-16</u></b>
<b>REVENUES</b>					*None Anticipated*
<b>EXPENDITURES</b>					
Department of Public Instruction					*None Anticipated*
Office of the State Auditor					* No estimate available; see Assumptions and Methodology section*
<b>POSITIONS (cumulative):</b>					
Office of the State Auditor					* No estimate available; see Assumptions and Methodology section*
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b>	Department of Public Instruction and the Office of State Auditor				
<b>EFFECTIVE DATE:</b>	The bill would become effective July 1, 2011.				

BILL SUMMARY:

Senate Bill 415 would require funds appropriated for the school breakfast program to be used to provide school breakfasts at no cost to students of all grade levels qualifying for reduced-price meals in all of the schools that participate in the National School Breakfast Program. If the appropriated funds are insufficient to provide school breakfasts at no cost to students qualifying for reduced-price meals, then the local child nutrition programs would be directed to charge students

qualifying for reduced-price meals the allowable amount for a reduced-price breakfast under the guidelines of the National School Breakfast Program.

Senate Bill 415 also requires two reports be made to the Joint Legislative Education Oversight Committee and the Joint Legislative Commission on Governmental Operations: (1) the SBE must report, by November 15, 2011, an overview of the federally supported food service programs and (2) the State Auditor must report, by December 15, 2011, the results of an audit of the Division of School Support, Child Nutrition Services of the Department of Public Instruction.

*(Source: Research Division)*

## **BACKGROUND INFORMATION:**

Section 8.26 of S.L. 1999-237 directed the State Board of Education (SBE) to expand the school breakfast program to all students in kindergarten prior to the beginning of the 2000-2001 school year. Any school that served kindergarten students was eligible to receive funds under the program for the 1999-2000 year for those students with the participating schools providing breakfast without charge to all kindergarten students. If the funds were not adequate to expand the program to all students in schools that elected to participate in the program, then priority was to be given schools with a high concentration of children who qualified for free or reduced price lunches. The North Carolina Kindergarten Breakfast Program continues to provide free breakfast to all kindergarten students in participating schools. *(Source: Research Division)*

The Office of the State Auditor (OSA) reports that the Federal Single Audit Act of 1984 was created to provide one audit for all federal programs. This single audit meets the needs of multiple interested parties and prevents duplicative audits. As part of the Statewide single audit of federal programs, the OSA already frequently audits the child nutrition programs administered by the Department of Public Instruction (DPI).

## **ASSUMPTIONS AND METHODOLOGY:**

### **Department of Public Instruction**

Fiscal Research anticipates that SB 415 would have no fiscal impact on the DPI. The DPI would be able to absorb the additional workload of Section 2 of this bill, which requires a report to the General Assembly.

### **Office of the State Auditor**

Section 3 of SB 415 requires the State Auditor to report the results of an audit of the Division of School Support, Child Nutrition Services of the Department of Public Instruction to the NC General Assembly.

As previously mentioned in the Background Information section of this fiscal note, the OSA frequently audits the child nutrition programs administered by the DPI. The objective of this audit is to determine whether the State is administering the programs in accordance with federal laws,

regulations, and provisions of contracts and grant agreements. The programs must be audited at least once every three years, but in practice have been audited more frequently.<sup>1</sup>

The OSA audits the programs at the State level, and certified public accountants audit the local school administrative units' administration of programs. The frequency of the local level audits is determined by the size of the expenditures and the auditor's assessment of risk for each individual unit. The DPI is responsible for monitoring the local units' compliance with federal requirements, and the OSA audits the DPI's monitoring efforts to ensure that the local school administrative units are in compliance with the federal requirements.

Assuming this bill would require the OSA to expand beyond the aforementioned regularly scheduled audits of the child nutrition programs, the OSA reports that further analysis would be needed to determine the fiscal impact of SB 415 its operations.

**SOURCES OF DATA:** Office of the State Auditor

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION:** (919) 733-4910

**PREPARED BY:** Tazra Mitchell

**APPROVED BY:** Lynn Muchmore, Director  
**Fiscal Research Division**

**DATE:** June 15, 2011



**Signed Copy Located in the NCGA Principal Clerk's Offices**

---

<sup>1</sup> The child nutrition programs were audited for FY 2009-10 and another audit is scheduled for FY 2010-11 after June 30, 2011. The results of previous audits conducted by OSA of the child nutrition programs are available in the State of North Carolina's *Single Audit Report* and individual audit reports assessing the DPI. Audit reports for local school administrative units can be obtained from the DPI or the Department of State Treasurer's State and Local Finance Division.