

**Joint Legislative Committee on Performance
Evaluation and Expenditure Review (PEER)**

Report to
the Mississippi Legislature



Payment of Health Insurance Premiums for School Districts' Child Nutrition Program Employees

In compliance with MISS. CODE ANN. Section 25-15-15 (3) (1972), Mississippi pays the health insurance premiums for public schools' Child Nutrition Program (CNP) employees with a combination of federal funds, revenues received from students who participate in the program, and (in the event that these two revenue sources are not sufficient to cover CNP expenses, including premiums) local funds. School districts pay CNP employees' health insurance premiums using the same guidelines (e. g., working at least twenty hours per week) as other school district employees, most of whom have their health insurance premiums paid by state and local funds. Currently, Mississippi's 5,316 CNP employees' health insurance premiums cost approximately \$23 million annually.

Health insurance premiums for CNP employees in Alabama, Tennessee, and Louisiana are paid through funds generated by the CNP in each school district of each state. Arkansas provides each school district funding of a fixed amount per child to supplement all costs of school districts, including the CNP program.

Because health insurance premiums of all Mississippi CNP employees are currently being paid and because PEER believes that provisions of CODE Section 25-15-15 (3) adequately address the funding sources for these premiums, PEER recommends no changes in state law in the immediate future regarding the source of payment for these premiums.

PEER: The Mississippi Legislature's Oversight Agency

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A joint committee, the PEER Committee is composed of seven members of the House of Representatives appointed by the Speaker and seven members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms, with one Senator and one Representative appointed from each of the U. S. Congressional Districts and three at-large members appointed from each house. Committee officers are elected by the membership, with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of four Representatives and four Senators voting in the affirmative.

Mississippi's constitution gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues that may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

PEER provides a variety of services to the Legislature, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and the agency examined.

The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

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The Mississippi Legislature

Joint Committee on Performance Evaluation and Expenditure Review

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May 15, 2012

Honorable Phil Bryant, Governor
Honorable Tate Reeves, Lieutenant Governor
Honorable Philip Gunn, Speaker of the House
Members of the Mississippi State Legislature

On May 15, 2012, the PEER Committee authorized release of the report entitled **Payment of Health Insurance Premiums for School Districts' Child Nutrition Program Employees.**

A handwritten signature in black ink, appearing to read "Gary Jackson", with a long horizontal line extending to the right.

Senator Gary Jackson, Chair

This report does not recommend increased funding or additional staff.

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Executive Summary

In compliance with MISS. CODE ANN. Section 25-15-15 (3) (1972), Mississippi pays the health insurance premiums for public schools' Child Nutrition Program (CNP) employees with a combination of federal funds, revenues received from students who participate in the program, and (in the event that these two revenue sources are not sufficient to cover CNP expenses, including premiums) local funds. School districts pay CNP employees' health insurance premiums using the same guidelines (e. g., working at least twenty hours per week) as other school district employees, most of whom have their health insurance premiums paid by state and local funds. Currently, Mississippi's 5,316 CNP employees' health insurance premiums cost approximately \$23 million annually.

Health insurance premiums for CNP employees in Alabama, Tennessee, and Louisiana are paid through funds generated by the CNP in each school district of each state. Arkansas provides each school district funding of a fixed amount per child to supplement all costs of school districts, including the CNP program.

Because health insurance premiums of all Mississippi CNP employees are currently being paid and because PEER believes that provisions of CODE Section 25-15-15 (3) adequately address the funding sources for these premiums, PEER recommends no changes in state law in the immediate future regarding the source of payment for these premiums.

For More Information or Clarification, Contact:

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Payment of Health Insurance Premiums for School Districts' Child Nutrition Program Employees

Introduction

Authority

PEER conducted this review pursuant to the authority granted by MISS. CODE ANN. Section 5-3-51 et seq. (1972). Furthermore, PEER conducted this review pursuant to the mandate in House Bill 1494, 2011 Regular Session.

Statutory Mandate for Review

House Bill 1494, 2011 Regular Session, required the Mississippi Department of Education to provide the PEER Committee with the number of local school districts' Child Nutrition Program (CNP) employees who do not receive state-funded health insurance.

The bill also required the PEER Committee to:

- determine the cost of providing health insurance with state funds to employees of the Child Nutrition Program who do not receive state-funded health insurance:
 - if funding were to be provided at 100%; and,
 - if funding were provided in increments spread over a ten-year period to reach 100%.
- compare how contiguous states pay for health insurance for these employees;
- compile the total cost in federal dollars now being used to supplement and/or pay for health care; and,
- identify solutions.

Method

On January 23, 2012, the Department of Education provided PEER with information regarding the number of

employees in the school nutrition program. After receiving this information, PEER staff compiled the information required by House Bill 1494, 2011 Regular Session.

Background

MISS. CODE ANN. Section 25-15-15 (3) (1972) requires that the state of Mississippi provide 100% of the cost of health insurance for public school employees who work at least twenty hours per week, which would include school lunch workers. The section provides that available federal funds be used first to cover these costs and that school districts make up any shortfall with local funds. (See the Appendix, page 7, for the full text of MISS. CODE ANN. Section 25-15-15 [3] [1972].)

School districts use CNP revenue to pay these employees' health insurance premiums. Child Nutrition Program revenue comes from federal funds received through the National School Lunch Program (NSLP) and from paying students. The NSLP reimburses schools a specific amount for each free lunch, reduced lunch, and paid lunch. The NSLP funds are channeled to each school district through the Mississippi Department of Education's Child Nutrition and Healthy Schools office. Funds from students paying full price or reduced price for meals are received and retained by each school district.

Information Required by House Bill 1494, 2011 Regular Session

Cost of the State Assuming Child Nutrition Program Employees' Health Insurance Premiums

Based on the current number of CNP employees in Mississippi's public schools (5,316) and on the current monthly health insurance premium rate for state employees (\$356), the current annual cost of Mississippi's CNP employees' health insurance premiums is \$22,709,952.

If funds to cover these costs were provided in increments spread over a ten-year period to reach 100% of total annual cost (using the assumptions noted above regarding number of employees and premium rate), the total cost of assuming responsibility for paying CNP employees' health insurance premiums would be approximately \$125 million, as shown in the Exhibit below.

Exhibit: Cost of the State Assuming Child Nutrition Program Employees' Health Insurance Premiums over Ten Years

Fiscal Year	State Contribution Per Year	Percent of Total Funding	Cumulative State Contribution
1	\$ 2,270,995	10%	\$ 2,270,995
2	4,541,990	20%	6,812,985
3	6,812,985	30%	13,625,970
4	9,083,980	40%	22,709,950
5	11,354,975	50%	34,064,925
6	13,625,970	60%	47,690,895
7	15,896,965	70%	63,587,860
8	18,167,960	80%	81,755,820
9	20,438,955	90%	102,194,775
10	22,709,950	100%	124,904,725

SOURCE: PEER computation based on requirements of H. B. 1494, 2011 Regular Session; the current individual premium rate for the State and School Employees' Health Insurance Plan; and information provided by the Mississippi Department of Education.

PEER staff notes that amounts in the Exhibit would change based on any changes in the number of CNP employees that have their health insurance premiums paid for using CNP revenue or if the state's monthly health insurance premium rate changes over the next ten years.

How Contiguous States Pay for Child Nutrition Program Workers' Health Insurance Premiums

In Louisiana and Tennessee, the state does not provide funding for CNP employees' health insurance premiums. School districts in these states are responsible for paying CNP employees' health insurance premiums by using CNP revenue and, if necessary, local school district funds.

In Alabama, the state initially pays CNP employees' health insurance premiums, but each school district reimburses the state the full amount for that district's CNP employees' health insurance premiums with federal funds.

In Arkansas, the state provides each district a fixed amount of funding per child and a portion of the funding is to be used for insurance for district staff. If state funding is insufficient, school districts may use other revenue sources, including National School Lunch Program revenue, to pay CNP employees' health insurance premiums.

Amount of Federal Funds Used to Pay Child Nutrition Program Workers' Health Insurance Premiums

As noted on page 3, the current annual cost of CNP employees' health insurance premiums is \$22,709,952. Given that school districts use a mixture of federal funds and self-generated revenue from paying students for CNP expenses, the exact amount of federal funds used to pay CNP employees' health insurance premiums would be less than the \$22.7 million.

PEER notes that a review of the finances of each school district's CNP would be required to determine the exact amounts of federal funds and self-generated funds used to pay CNP employees' health insurance premiums.

Solutions

Because health insurance premiums of all Mississippi CNP employees are currently being paid and because PEER believes that provisions of MISS. CODE ANN. Section 25-15-15 (3) (1972) adequately address the funding sources for these premiums, PEER recommends no changes in state law in the immediate future regarding the source of payment for these premiums.

Horizon Issues

During the course of analyzing the information required by House Bill 1494, 2011 Regular Session, PEER became aware of upcoming changes to the National School Lunch Program (NSLP). The Healthy Hunger-Free Kids Act (HHFKA) of 2010 mandates changes in the nutritional requirements of school meals and the reimbursement rates for each meal served in the program. The changes focus mainly on the elimination of sodium, trans fat, and other nutritionally limited foodstuffs in favor of offering more fresh fruits, vegetables, and whole grains and are designed to offer students healthier options in school lunches and breakfasts in order to provide more nutritious and balanced meals. The HHFKA requires schools participating in the NSLP to begin implementing changes July 1, 2012, with all changes required by the act to be implemented by July 1, 2015.

By requiring more fresh and whole foods, while limiting processed and prepared food items, the United States Department of Agriculture (USDA), the federal agency charged with administering the NSLP, projects that the cost of ingredients and labor required to prepare the meals will increase. After full implementation of all changes required by HHFKA, the USDA estimates that the cost of ingredients, labor, and administrative services will increase by fifteen cents per meal for lunch and forty-one cents per meal for breakfast. The USDA has proposed increasing the reimbursement rate of lunches by six cents, with no increase in the reimbursement rate for breakfast meals. The USDA believes that the increased reimbursement rate for lunches, combined with an overall increase in the number of students that the USDA projects to begin participating in the breakfast and lunch programs due to healthier meals being served, will provide adequate reimbursement to cover the additional costs required by HHFKA. CNP advocates contend that the true costs of breakfast and lunch meals will be greater than the USDA estimates and fear that if the projected increase in participation by students does not materialize to the extent projected by the USDA, then the CNP in each school district will come under increased financial pressure.

In view of these upcoming changes and in anticipation of future financial pressures on the local districts' Child Nutrition Programs, advocates argue that CNP funds should not be used to pay CNP employees' health insurance premiums because state and local funds are used to pay the health insurance premiums of other school district employees. CNP advocates further argue that should the state assume responsibility for CNP employees'

health insurance premiums, CNP programs would use funds now dedicated to paying health insurance premiums to purchase fresher, healthier fruits and vegetables; hire additional employees where needed; purchase equipment where needed; and be in better financial condition to implement the requirements of HHFKA.

Whether increased financial pressure in the CNP will materialize may not be evident until all aspects of HHFKA are implemented. If this situation materializes, it could be alleviated through means other than paying CNP employees' health insurance premiums. For example, if a school district experiences a shortfall due to the requirements of HHFKA, the state could provide funding to cover all or a portion of the shortfall. Funding a portion of the shortfall, rather than the entire shortfall, would ensure that school districts would endeavor to make their CNPs as efficient as possible, thereby making any shortfalls as small as possible.

Appendix: MISS. CODE ANN. Section 25-15-15 (3) (1972)

The state shall annually provide one hundred percent (100%) of the cost of the health insurance plan, or any lesser percentage of the cost that is not assessed to the employees by the board, for public school district employees who work no less than twenty (20) hours during each week and regular nonstudent school bus drivers, if such employees and school bus drivers were initially employed before January 1, 2006. For such employees and school bus drivers initially employed on or after January 1, 2006, the state shall provide one hundred percent (100%) of the cost of a basic level of health insurance under the State and School Employees Health Insurance Plan, or any lesser percentage of the cost that is not assessed to the employees by the board, and the employees may pay additional amounts to purchase additional benefits or levels of coverage offered under the plan. Where federal funding is allowable to defray, in full or in part, the cost of participation in the program by district employees who work no less than twenty (20) hours during the week and regular nonstudent bus drivers, whose salaries are paid, in full or in part, by federal funds, the allowance under this section shall be reduced to the extent of such federal funding. Where the use of federal funds is allowable but not available, it is the intent of the Legislature that school districts contribute the cost of participation for such employees from local funds, except that parent fees for child nutrition programs shall not be increased to cover such cost.

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