

Other Regulatory Information

Michigan Department of Education
Office of School Support Services –
School Nutrition Programs
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Agenda

- Prepayment of Meals
- Student Meal Prices
- Paid Lunch Equity
- Non-Program Foods and Pricing
- Adult Meal Pricing
- On-Site (Self- monitoring) Reviews
- Replacing and Denying Meals
- Student/Parent Involvement



Prepayment of Meals

- It is important that students are able to prepay for meals in a common location, at designated times during the day/week so that overt identification is prevented.
- Prepayment of meals must be advertised – signs in serving area, with materials going home to parents, online, etc.



Student Meal Prices

- Meals for eligible students must be served free or at a reduced price.
 - Maximum reduced price for lunch is 40 cents
 - Maximum reduced price for breakfast is 30 cents
- Neither the United States Department of Agriculture (USDA) nor the Michigan Department of Education (MDE) set specific paid prices for school lunch, breakfast, special milk or a la carte food items. USDA does require districts to increase their lunch prices on an annual basis if their average weighted price does not meet a specific threshold (Paid Lunch Equity).



Unit Pricing

- School meals must be priced as a unit (paid or reduced price).
- Offer versus Serve (OVS) does not affect the unit price of the meal established by the school food authority (SFA).
- Students must take at least a half cup of fruit/vegetable to count as a reimbursable meal.
- Regardless of the number of items students select, they must pay the established unit price for a reimbursable meal.
 - Check your a la carte pricing first



Paid Lunch Equity

- If an SFA's average weighted paid lunch price is less than the difference between the federal free and federal paid meal reimbursements, it must increase the average paid lunch price by 2% plus inflation by either:
 - Increasing the price charged to children

OR

 - Adding non-federal funds to the food service account



Paid Lunch Equity Average Price Calculation Example

| Number of Paid Lunches claimed at each price for October | Price Charged for Paid Lunches | Revenue Generated by Paid Lunch Price (Column A x Column B) | Determine Average Price |
|--|--------------------------------|---|------------------------------|
| 1,000 | \$1.25 | \$1,250 | |
| 2,000 | \$1.50 | \$3,000 | |
| 1,500 | \$2.00 | \$3,000 | |
| 3,000 | \$2.25 | \$6,750 | |
| Total Lunches: 7,500 | | Total Revenue: \$14,000 | 14,000/7,500 = \$1.87 |



Paid Meal Equity Overview

- SFAs compare the average price for paid lunches at all of their schools to the difference between the per meal federal reimbursement for free and paid lunches.
 - The 2014-2015 free meal reimbursement rate is \$2.98
 - The 2014-2015 paid meal reimbursement rate was \$0.28
 - $\$2.98 - \$0.28 = \$2.70$ difference

\$2.65 was the 2014-2015 target price

\$2.70 will be the target price for 2015-2016

- **The difference is the same if you are a "severe need" district



PLE Calculations

- Paid Lunch Equity (PLE) is an annual calculation
- For SY 2015-2016, SFAs which, on average, charge less than **\$2.70** for paid lunches are required to adjust their weighted average lunch price or add non-Federal funds to the non-profit school food service account



PLE Inflation Factor

- The amount of the per meal increase will be calculated using 2 percent plus the inflation factor of 2.19 percent, for a total of **4.19** percent
- The inflation factor for SY 2015-2016 is from the Federal Register Notice announcing the SY 2014-2015 reimbursement rates



Meeting the Annual PLE Requirement

- SFAs may round the adjusted average price down to the nearest five cents.
- For example, an SFA charged \$1.50 for all paid lunches and the calculation for SY 2014-2015 resulted in an adjusted average paid lunch price of \$1.574.
- The SFA chose to round the \$1.574 down to the nearest five cents or \$1.55.
- This SFA met the requirement for SY 2014-2015 even though the price was not raised to the full \$1.57.



Basis for Determining Average Paid Lunch Price SY 2015-2016

- SFAs use their unrounded adjusted average paid lunch price requirement from the previous SY as the basis for the subsequent SY
- For example, if the result of the SY2014-2015 calculation was \$2.08; that is the unrounded **adjusted** average paid lunch price. This SFA may have likely rounded down to average price of \$2.05
- However, the SY 2015-2016 PLE tool begins with the unrounded figure of \$2.08
- Therefore, the 4.19% is applied to the \$2.08 (\$2.167) and not \$2.05



Increasing Average Lunch Price Above Required Level

- If an SFA raised its average paid lunch price above the required rounded amount in any SY, that excess paid lunch price increase is credited towards meeting the following SY paid lunch price requirement
- SFAs must keep sufficient records to document and carry forward the average paid lunch price calculations



Not Meeting PLE Requirement

- If an SFA did not raise its average adjusted paid lunch price sufficiently to meet the required amount in any school year, the shortfall is included in the calculation for the following SY paid lunch price adjustment requirement.



Next Steps by the School Food Authority

- The maximum required annual average paid lunch price increase is capped at 10 cents.
 - SFAs can elect to increase their average paid lunch price by more than the calculation requires
- Under Section 205, the SFA would never be **REQUIRED** to increase its average lunch price by more than 10 cents



Next Step

- Raise prices!!
- OR.....



Contribute Non-Federal Funds

| SY 2015-16 Non-Federal Contribution Calculator | | |
|--|--|---|
| Go to instructions | | |
| SY 2015-16 Weighted Average Price Requirement | | |
| Requirement price to the nearest cent | Optional price ROUNDED DOWN to nearest 5 cent | |
| \$ 2.44 | \$ 2.40 | |
| <small>Note: Above prices are based on including SF 2014-2015 price requirement by the 2% rate increase plus the Customer Price Index (CPI).</small> | | |
| Current Weighted Average Paid Price | | |
| <small>Enter the current weighted average paid lunch price. Note: If you did not change the weighted average paid lunch price in SF2013-2014, SF2012-2013 or SF2010-2011, enter the SF2009-10 weighted average price. Otherwise, click the link below.</small> | | |
| \$ 2.42 | Click here to determine SF2014-2015 weighted average price | |
| Non-Federal Source Contribution Calculator for SY 2015-16 | | |
| <small>Enter the total paid lunch count for all periods. <small>** Annual Non-Federal Source Funds for SF2014-2015 are calculated based on the ACTUAL lunch count reported above.</small></small> | | |
| Enter annual # of Paid Lunches** | TOTAL Price Increase for SY 2015-16 | TOTAL SY 2015-16 Annual Non-Federal Source Contribution |
| 10,000 | \$ | \$ |
| <small>Note: Total price increase for SF 2015-2016 is based on the difference between the weighted average price entered above and SF 2015-2016 rounded DOWN requirement.</small> | | |



Non-Federal Sources

- SFAs may use non-Federal sources that are provided to directly support paid lunches and breakfasts.
- Unallowable Non-Federal Sources - In-kind contributions, a la carte sales, catering
- Allowable:
 - Therefore, SFAs may count as a non-Federal Source:
 1. Per-meal non-federal reimbursement for any paid meal (breakfast, lunch, etc)
 2. Any funds provided by organizations for any paid meal
 3. Any proportion attributable to paid meals from direct payments made from school district funds to support lunch service



SFAs that Provided Non-Federal Sources

- If an SFA's estimate of the required contribution exceeded the actual level, that excess contribution may be subtracted from the total following SY contribution requirement.
- Further, if the SY estimate was less than required, additional funds from non-Federal sources must be added.



Potential Exemption to PLE

- USDA is allowing SFAs that are in a strong financial position to be exempt from raising prices
- SFAs need to request this exemption from MDE
- MDE will evaluate the overall financial position of the SFA in determining the requirement of raising prices under PLE
- In most cases, a non-profit food service account with more than 2.5 months operating expenses will be considered in a strong financial position
- MDE will try to avoid putting districts over 3 months expenses by raising prices



Paid Lunch Equity Exemption

- There are several additional areas MDE will want to look at prior to exemption approval
 - Is the program 6 Cent Certified?
 - Is the district taking steps toward being in compliance with the Smart Snacks requirements?
 - Are there any outstanding fiscal actions with the SFA?
 - Are meal standards being followed and will the SFA continue to be able to without a price increase?
 - Quality, health, and appeal of meals such as expanding fruit/veg offerings? Or by using Salad Bars?
 - Does the school show significant participation rates?
 - Does the school have a Local Wellness Policy?
 - Is overt identification avoided?



SY 2015-16 PLE Tool

- Includes detailed user instructions
- Includes a report that SFAs can use to track the information they will need to make their SY 2016-2017 calculations
- SFAs can print the report and keep it in their records



PLE Resources

Links to information:

- Paid Lunch Equity Policy Memo
- <http://www.fns.usda.gov/sites/default/files/SP58-2013os.pdf>
- Paid Lunch Equity Tool
- www.michigan.gov/schoolnutrition



Revenue From Non-Program Food

- Intent: To ensure that revenues from the sale of non-program foods generate at least the same proportion as they contribute to SFA food costs



Revenue From Non-Program Food

- A non-program food is sold in a participating school other than a reimbursable meal and is purchased using funds from the school food service account



Revenue From Non-Program Food

- To implement this requirement SFAs will need to:
 - Identify the proportion of total food costs attributable to non-program food in order to establish its revenue target
 - Price non-program food items to ensure that revenues will meet the requirement
 - Track non-food program revenues separately from all other revenue items



Revenue From Non-Program Food

- Example
 - SFA has the following characteristics
 - Total Costs: \$1,000,000
 - Total Food Costs: \$500,000
 - Non-Program Food Costs: \$50,000
 - Reimbursable Food Costs: \$450,000
 - Total Revenue: \$1,000,000



Revenue From Non-Program Food

- Revenue Requirement:
 - Minimum Proportion of Revenue from Non-program Food Sales: $\$50,000/\$500,000 = 10\%$
 - Minimum Dollar Revenue Required from Non-program Food Sales; $10\% \times \$1,000,000 = \$100,000$
- If this SFA earns \$100,000 in revenue from non-program food sales, it is in compliance



Non-Program Foods

- Keep track of your non-program revenues – which is basically all revenues except for paid meals, \$.40 for reduced lunch, \$.30 for reduced breakfast, all reimbursements.
- It would include ala carte, catering, booster sales, etc.
- And separately keep track of all non-program food costs. Assure that all SFAs make a good faith effort to comply
- FNS will be updating Administrative Review guidance to incorporate review of these requirements



Current Recommendation

- In order to ensure you are generating the correct rate of "profit" on nonprogram foods, start with pricing items correctly
- If items are priced correctly, it is an excellent way to make sure you are in compliance with nonprogram foods
- Our website includes an Excel spreadsheet that will help you calculate your menu



School Policy Guidelines for Replacing and Denying Meals

- It is a local decision as to whether or not students are allowed to charge meals.
- Regulations do prohibit schools from denying meals as a form of disciplinary action against free, reduced, or paid students.
- Alternate meals may be reimbursable or non-reimbursable.
- If a student has a balance due and comes to school with payment for that day's meal, the student must be provided the meal.



Student/Parent/Community Involvement

- A documented method of student and parent input must be obtained at least once a year and should involve representation from all school levels.
- Some sample suggestions for student involvement.
 - Menu planning
 - Enhancement to eating environment
 - Program promotion
 - Taste Testing
 - Student advisory committee
 - See more ideas in handbook



Parent/Teacher Involvement

- Some suggested methods of involving parents
 - Parent advisory committee
 - Parent participation day
 - Grandparent visitation day
 - Questionnaires for parental input
 - Participate in parent/teacher meetings and nights
 - More ideas in handbook
- Schools that operate under a Food Service Management Company (FSMC) must establish an advisory board of students, parents, and teachers.



Questions

- Contact MDE School Nutrition Programs at:

- 517-373-3892

- Phone: 517-373-3347

or

- E-mail: MDE-SchoolNutrition@michigan.gov


