



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

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STATE SUPERINTENDENT

FOOD SERVICE

**ADMINISTRATIVE POLICY NO. 4
SCHOOL YEAR 2015-2016**

(Revision of Administrative Policy No. 14 for School Year 2014-15)

SUBJECT: Negative Balance Compliance Requirements for Participation in the National School Lunch Program, Afterschool Snack Program, and Special Milk Program

DATE: August 21, 2015

The School Nutrition Programs (SNP) unit at the Michigan Department of Education (MDE) is aware that collecting outstanding debt from student lunch accounts is a challenging issue for program participants. This memo is intended to clarify the differences between uncollectable/delinquent debt and bad debt in the School Meals Program. Uncollectable/delinquent debt and bad debt are considered to be classified as separate categories.

Uncollectable/delinquent debt refers to meal charges that have not been paid by the student or parent(s) during the school year. Any related collection costs and related legal costs arising due to the collection of those meal charges throughout that current school year are an allowable cost in the nonprofit food service fund.

Bad Debt refers to uncollectable/delinquent debt that has been determined to be uncollectible by the end of the school year in which the debt was incurred. If the uncollectable/delinquent debt cannot be recovered by the School Meals Program, in the year when the debt was incurred, then this is classified as bad debt. Once classified as bad debt, nonfederal funding sources (example-PTA or the district general fund) must reimburse the nonprofit food service fund for the total amount of the bad debt.

Under the new Office of Management & Budget Uniform Guidance for Grants, per 2 CFR Part 200.426, bad debt (debts which have been determined to be uncollectable), including losses (whether actual or estimated) arising from uncollectable accounts and other claims, are unallowable. Related collection costs, and related legal costs, arising from such debts after they have been determined to be uncollectable are also unallowable.

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It is recommended that those participating program sponsors develop a standard policy regarding charged meals, especially in the area of limiting the number of charged meals. Households could then be informed of such policies in the parent letter/application process.

Questions regarding this Administrative Policy may be directed to Office of School Support Services, School Nutrition Programs unit by email to MDE-schoolnutrition@michigan.gov.