



STATE OF MICHIGAN  
DEPARTMENT OF EDUCATION  
LANSING

RICK SNYDER  
GOVERNOR

MICHAEL P. FLANAGAN  
SUPERINTENDENT OF  
PUBLIC INSTRUCTION

May 31, 2012

**MEMORANDUM**

TO: Local and Intermediate School District Superintendents, Public School Academy Directors, and Nonpublic School Administrators

FROM: Carol Wolenberg, Deputy Superintendent *Carol*

SUBJECT: Policy Changes - USDA Foods Program

Several policy changes will be implemented by the Michigan Department of Education (MDE) over the next few weeks that will have an impact on the United States Department of Agriculture (USDA) Foods Program. These changes will address excessive inventory balances of USDA Foods at processors, Planned Assistance Level (PAL) reports, and the accounting of inventory on financial statements.

Although many Michigan schools are facing financially challenging times, a number of school districts are continually leaving large inventories of food such as beef, chicken, turkey, flour, peanut butter, potatoes, and cheese provided by the USDA Foods Program at manufacturers or distributors and are not arranging for the timely usage of these items. According to federal regulation 7 CFR Part 250.30, the Michigan Department of Education (MDE) has the responsibility of monitoring USDA Foods (commodities) inventories. No more than a six-month inventory level, based on the state's average monthly usage, is recommended to be on hand. Therefore, the USDA has recently charged state agencies with tracking excess balances with manufacturers to identify the recipients who are not utilizing their inventories or who have more inventory than they can realistically utilize in the current school year.

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Effective July 1, 2013, MDE will implement a carryover policy. Administrative Policy #1 indicates that at the end of each school year (June 30), any pounds of USDA Foods remaining at manufacturers or any brown box foods remaining at distributors will be reclaimed by the consortium and placed in a general consortia account where the product(s) will be fair-shared to schools/agencies that have utilized their own balances and could use more product. Additionally, any school or agency that does not have at least 30% usage of processed foods by November 30 may begin to lose their balances at that time. A copy of this administrative policy is attached.

To prepare for this policy change, schools and agencies will be given School Year (SY) 2012-2013 (July 1, 2012 through June 30, 2013) to reduce their existing balances at processors. A list of balances (by school district and product type) will soon be made available on each of the consortium's websites to assist the school and agencies in this task. Remember, it is the responsibility of the school food service program to use USDA Foods effectively to reduce its meal costs throughout the school year.

As a result of this new carryover policy, several other changes will occur related to the Financial Information Database (FID) and how ending inventory is reported on the FID and the financial statements. According to federal regulation 7 CFR 250.13, the USDA holds the title of any USDA Food until that item is delivered directly to the school or school's warehouse. Therefore, any remaining inventory that is not processed and delivered to the school by June 30, 2013, will no longer be accounted for as part of the ending inventory on the FID or the financial statements. MDE is aware that there may be significant changes in the ending inventory for some schools/agencies and will be working with the Office of Audits in addressing this issue as a footnote on the financial statements of the audit report.

In addition, as of July 1, 2012, Planned Assistance Level (PAL) reports will no longer draw down the value of the raw product that has been delivered to the processor. Rather, the report will draw down the value of the USDA Food in the finished product being delivered to the school/agency.

If school district staff require additional information or have questions regarding the school USDA Foods Program, contact Jaime Malnar in the Food Distribution Unit at (517) 335-3792 or by e-mail at [malnarj1@michigan.gov](mailto:malnarj1@michigan.gov).

For questions relating to the change in USDA Foods inventory reporting and how it relates to the FID reports, please contact Pat Conlen, Fiscal and Administrative Services, at (517) 373-9785.

Attachment

cc: Michigan Education Alliance



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**FOOD DISTRIBUTION**

**ADMINISTRATIVE POLICY NO. 1  
SCHOOL YEAR 2012-2013**

**SUBJECT: Carryover Policy – Processor Balances of USDA Foods**

**DATE: May 24, 2012**

This memorandum provides policy and guidance regarding school districts' carryover balances of United States Department of Agriculture (USDA) Foods. Per federal regulation 7 CFR Part 250.30, the Michigan Department of Education (MDE) has the responsibility for monitoring the USDA Food inventories at processors. USDA had charged MDE with identifying excess balances at processors for those schools/agencies that are not utilizing their inventory and/or have more inventory than they can realistically utilize in the current school year. Additionally, per federal regulation 7 CFR Part 250.13, the "title of donated foods shall pass to schools/agencies upon delivery of these foods." Since USDA holds the title of all USDA Foods at processors until the finished product is delivered directly to the school or school's warehouse, MDE has the authority to reallocate and reduce excessive inventory of all USDA Foods at processors.

Therefore, MDE will implement a new carryover policy effective July 1, 2013. Schools will have one year to draw down all USDA Food balances at the processors and all brown box inventory at their distributor. The policy will take effect for School Year 2013-2014. The policy is as follows:

**Balances of USDA Foods at Manufacturers**

At the end of each school year (June 30), any pounds of USDA Foods remaining at manufacturers will be reclaimed by its consortium and placed in a general consortium account where the pounds will be fair-shared to schools/agencies that have utilized their own balances and could use additional pounds. **The school or agency losing its balances of USDA Foods should not expect compensation of entitlement for the value of the product that was redistributed to other schools/agencies.**

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Additionally, each school year, any school or agency that has not utilized 30% or more of its balances by November 30 may lose up to 30% of their balances at that time. The transfer of product from one processor to another will be prohibited after March 31 unless pre-approved by the consortium, processor, and MDE. Second processor-to-processor transfers of any kind will not be permitted.

**USDA Foods (brown box) at Distributors**

At the end of each school year (June 30), schools/agencies will be allowed to carry over up to 5% of their brown box inventory. Any additional brown box inventory remaining at the distributor may be reallocated to schools, agencies, or summer camps that can use this inventory. Schools/agencies moving to another consortium will not have the option to carry over any brown box items.