# Other Regulatory Information

Michigan Department of Education
Office of School Support Services – School Nutrition Programs
November 2012

## Agenda

- Prepayment of Meals
- Student Meal Prices
- Paid Lunch Equity
- Non-Program Foods and Pricing
- Adult Meal Pricing
- Competitive Foods/Foods of Minimal Nutritional Value
- On-Site Reviews
- Replacing and Denying Meals
- Student/Parent Involvement
- Administrative Reviews/SMIs
- USDA Implementation Plan

## Prepayment of Meals

- It is important that students are able to prepay for meals in a common location, at designated times during the week so that overt identification is prevented.
- Prepayment of meals must be advertised.

## 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 prices on an annual basis if their average weighted price does not meet a specific threshold.

## 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).
- 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

* See example in book for calculating average weighted price. This may be completed in the PLE tool as well.

## 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 2011-2012 free meal reimbursement rate is $2.77
  - The 2011-2012 paid meal reimbursement rate is $0.26
  - $2.77 – $0.26 = $2.51 difference
    - **$2.51 is the 2012-2013 target price**
- **The difference is the same if you are a "severe need" district

## SY 2012-13 PLE Calculations

- Paid Lunch Equity (PLE) is an annual calculation
- For SY 2012-2013, SFAs which, on average, charge less than **$2.51** 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

## SY 2012-2013 PLE Inflation Factor

- The amount of the per meal increase will be calculated using 2 percent plus the inflation factor of 2.18 percent, for a total of **4.18** percent
- The inflation factor for SY 2012-2013 is from the July 20, 2011 Federal Register Notice announcing the SY 2011-2012 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 $1.00 for all paid lunches and the calculation for SY 2011-2012 resulted in an adjusted average paid lunch price of $1.03.
- The SFA chose to round the $1.03 down to the nearest five cents or $1.00.
- This SFA met the requirement for SY 2011-2012 even though there was no price increase or additional non-Federal funds added to the food service account.

## Basis for Determining Average Paid Lunch Price SY 2012-2013

- 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 SY2011-2012 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 2012-2013 PLE tool begins with the unrounded figure

## Increasing Average Lunch Price Above Required Level

- If an SFA raised its average paid lunch price above the required rounded amount in SY 2011-2012, that excess paid lunch price increase is credited towards meeting the SY 2012-2013 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 SY 2011-2012, the shortfall is included in the calculation for the SY 2012-2013 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

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## SY 2012-2013 Non-Federal Sources

- Except as permitted, for SY 2012-2013 and beyond, SFAs may only use non-Federal sources that are provided to directly support paid lunches.
- For example:
  - per-lunch reimbursements for paid lunches provided by States, counties, school districts and others;
    - For Michigan, districts may use the pro-rated percentage of 31d dollars for paid lunches
  - Funds provided by organizations, such as school-related or community groups, to support paid lunches;

## Unallowable Non-Federal Sources

- In-kind contributions
- A la carte sales
- Catering

## SFAs that Provided Non-Federal Sources in SY 2011-2012

- If an SFA's SY 2011-2012 estimate of the required contribution exceeded the actual level, that excess contribution may be subtracted from the total SY 2012-2013 contribution requirement.
- Further, if the SY 2011-2012 estimate was less than required, additional funds from non-Federal sources must be added.

## SY 2012-2013 PLE Tool

- The SY 2012-2013 PLE tool, taking into account credits or shortfalls from SY 2011-2012, makes the following calculations:
  - Weighted average paid lunch price for SY 2012-2013
  - Required paid lunch price increase for SY 2012-2013
  - Required non-Federal source contribution required for SY 2012-2013

## SY 2012-2013 PLE Tool

- ALL SFAs need the following data to calculate the Weighted Average Price for SY 2012-2013:
  - SY 2010-11 Weighted Average Price
  - All paid lunch prices for October 2011
  - Number of paid lunches served associated with each paid lunch price in October 2011

## SY 2012-13 PLE Tool  Non-Federal

- SFAs that have opted to contribute non-Federal sources also need:
  - Total number of paid lunches served in SY 2010-11
  - The total dollar amount of SY 2011-12 non-Federal contribution

## SY 2012-13 PLE Tool

- Includes detailed user instructions
- Includes a report that SFAs can use to track the information they will need to make their SY 2013-2014 calculations
- SFAs can print the report and keep it in their records

# PLE Resources

**Links to information:**

- **Paid Lunch Equity Policy Memo**
- https://www.partnerweb.usda.gov/communities/cndpolicy2/School%20Programs/FY%202012/SP22-2012_s.pdf

- **Paid Lunch Equity Tool**
- http://www.michigan.gov/documents/mde/PLE_Tool_2012-2013_387800_7.xls

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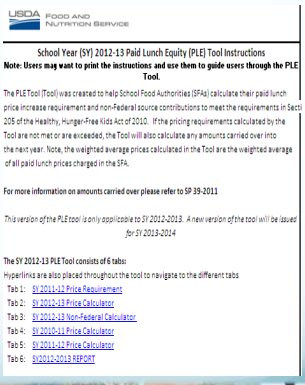
# Instructions

- SY 2012- 2013



USDA Food and Nutrition Service

School Year (SY) 2012-13 Paid Lunch Equity (PLE) Tool Instructions

**Note: Users may want to print the instructions and use them to guide users through the PLE Tool.**

The PLE Tool (Tool) was created to help School Food Authorities (SFAs) calculate their paid lunch price increase requirement and non-Federal source contributions to meet the requirements in Secti 205 of the Healthy, Hunger-Free Kids Act of 2010. If the pricing requirements calculated by the Tool are not met or are exceeded, the Tool will also calculate any amounts carried over into the next year. Note, the weighted average prices calculated in the Tool are the weighted average of all paid lunch prices charged in the SFA.

**For more information on amounts carried over please refer to SP 39-2011**

*This version of the PLE tool is only applicable to SY 2012-2013. A new version of the tool will be issued for SY 2013-2014*

**The SY 2012-13 PLE Tool consists of 6 tabs:**

Hyperlinks are also placed throughout the tool to navigate to the different tabs

Tab 1: SY 2011-12 Price Requirement
Tab 2: SY 2012-13 Price Calculator
Tab 3: SY 2012-13 Non-Federal Calculator
Tab 4: SY 2010-11 Price Calculator
Tab 5: SY 2011-12 Price Calculator
Tab 6: SY2012-2013 REPORT

# 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 reimbursagble 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% X $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 Alternative

- 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.

## Monitoring Compliance

- We will work with SFAs to provide guidance and technical assistance on how to meet the requirements
- Assure that all SFAs make a good faith effort to comply
- FNS will be updating CRE and ME guidance to incorporate review of these requirements
- Next is some guidance and TA which simplifies the process

## Costed Out Your Menus?

- A simplified way of ala carte prices (and other non-program sales) is to cost out your menu. A simply example –
  - Pizza $.51
  - Fruit $.12
  - Vegetable $.11
  - Milk $.22
  - Total $.96
- You would do this for a week/month to get a true average. Then apply this to your average meal price - $2.35 ($.96/$2.35= 41% food cost)

## Applying the Percentage to Non-Program Foods

- Take the menu cost % and apply it to ala carte items to see if ala carte sales (and others) are providing enough funds. For example:

| Item | Cost | | %FC | Minimum Price |
|---|---|---|---|---|
| Milk | .22 | divided by | 41. (.41) | $.54 |
| Pizza Slice | .51 | divided by | 41. | $1.24+? |
| Baked Chips | .33 | divided by | 41. | $.80 |
| Energy Drink | .55 | divided by | 41. | $1.34 |
| Fruit – Apple | .18 | divided by | 41. | $.44 |

- Some pricing you will be able to have a lower food cost percentage and some you will have a higher percentage. All of your sales need to average the target %.

## Alternative Method

- An even easier but less accurate method of calculating your required non program food cost is to take an entire period of time food cost (current or last year) and divide it by the same entire period of time revenues. This will give you an overall food cost percentage that may not as accurately reflect your reimbursable meal food cost percentage.
- $500,000 food cost/$1,000,000 in revenues = 50% food cost percentage.

## Establishing Pricing for Adult Meals

- Adult meals :
  - Cannot be subsidized by federal funds
  - Must be priced to cover cost of producing meal
  - Market pricing
  - Purpose is to generate revenue
  - Any income must be used for food service program purposes
  - May use ala carte pricing

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## Adult Meal Price Calculation

| | |
|---|---|
| $2.500 | Student Price of Lunch |
| + .260 | Paid Reimbursement |
| + .2275 | Value of USDA Foods |
| $2.9875 | |
| .18 | Sales Tax |
| $3.1675 | Final Price ($3.20, $3.25?) |

- Might you have other information that would tell you if you need or don't need a price increase?

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## Competitive Foods

- There are two categories of competitive foods:
  - Foods of minimal nutritional value (FMNV)
  - All other foods offered for individual sale

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## Foods of Minimal Nutritional Value (FMNV)

- Schools are prohibited from selling FMNV in serving and eating areas during meal service times.
- Soda water, water ices, chewing gum, and certain candies such as:
  - Licorice, marshmallow candies, hard candies, fondant (candy corn), jellies and gums (jelly beans), spun candy, and candy coated popcorn
- USDA has an Exemption List.

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## Competitive Foods

- Any foods sold in competition with the School Breakfast Program (SBP) or the National School Lunch Program (NSLP) to children in food service areas during the meal period.
  - A la carte items
  - Vending machines
  - Bake sales and other fundraisers

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## On-Site Reviews

- National School Lunch/School Breakfast Program
  - All buildings at least once each year before February 1
  - Sample in Manual
- School employees must conduct reviews

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## On-Site Reviews

- After School Snack Program
  - All sites two times per year
    - First review in the first four weeks of operation
    - Second review in the second half of the school year
- School employees must conduct reviews

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## 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.

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## 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

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## Parent/Teacher Involvement

- Some suggest 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.

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## Administrative Reviews and Monitoring Nutrition Standards

- Three-year review cycle
- Establish a one-week review period
- Include breakfast in the review

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## Implementation Plan

- Implementation Plan of the Healthy, Hunger-Free Kids Act of 2010 shows the timeframe for actions and implementation of the law.
  - Plan is in Manual

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## Questions

- Contact MDE School Nutrition Programs at:
  - Phone: 517-373-3347

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

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