



COMMONWEALTH of VIRGINIA  
Department of Education

March 25, 2016

TO: Division Superintendents

FROM: Steven R. Staples, Superintendent of Public Instruction

**SUBJECT: Paid Lunch Equity: School Year 2016-2017 Calculations and Tool**

U. S. Department of Agriculture (USDA) regulations (7 CFR 210.14(e)) require school food authorities (SFAs) participating in the National School Lunch Program to ensure sufficient funds are provided to the nonprofit school food service account for meals served to students not eligible for free or reduced price meals. There are two ways to meet this requirement: 1) through the prices charged for "paid" meals or 2) through other nonfederal sources provided to the nonprofit school food service account. SFAs are required to annually review the paid lunch revenue to assure compliance with the paid lunch equity provision.

This memorandum provides guidance on the calculations SFAs must make in order to ensure they are in compliance with these requirements for school year (SY) 2016-2017. The Paid Lunch Equity (PLE) tool for SY 2016-2017 is Attachment A. This tool is in Excel format and is designed to help school divisions calculate the annual paid lunch price adjustment required.

**SY 2016-2017 Paid Lunch Equity Calculations**

For SY 2016-2017, SFAs that, on a weighted average, charged less than **\$2.78** for paid lunches in SY 2015-2016 are required to adjust the weighted average lunch price or add nonfederal funds to the nonprofit school food service account. The amount of the per meal increase will be calculated using **4.97** percent; the inflation rate is adjusted annually. The law caps the required increase in lunch prices at ten cents in any year. The regulations allow the price increase to be rounded down to the nearest five cents.

The updated **Paid Lunch Equity (PLE) Tool** for SY 2016-2017, attached, must be used to perform all of the PLE calculations. All school divisions must submit the completed workbook to DOE, with the Annual Agreement to Participate in the School Nutrition Programs, and maintain supporting documentation locally. The PLE tool is designed to assist school divisions in calculating the required annual paid lunch price adjustment.

The PLE tool calculates the required weighted average paid lunch prices and automatically applies the credits and shortfalls from the previous year. The following reminders and requirements are also built into the PLE tool and will automatically calculate if correct information is entered by the SFA.

SFAs are reminded to use the **unrounded** adjusted average paid lunch price **requirement** from SY 2015-2016 when calculating the weighted average paid lunch price increase for SY 2016-2017.

If, in SY 2015-2016, an SFA raised its weighted average paid lunch price above the required amount, that excess paid lunch price increase may be subtracted from the total SY 2016-2017 paid lunch price increase requirement. The SFA must keep sufficient records to document any excess paid lunch price increase in SY 2015-2016 that is carried forward and subtracted from the SY 2016-2017 paid lunch price increase requirement.

If, in SY 2015-2016, an SFA did not raise its weighted average adjusted paid lunch price sufficiently to meet the required amount, the shortfall must be added to the SY 2016-2017 paid lunch price adjustment requirement.

### **Use of Nonfederal Sources Calculation**

SFAs that choose to contribute nonfederal sources to the nonprofit school food service account in lieu of raising paid lunch prices must also use the PLE tool to calculate the appropriate amount to contribute. To determine the amount of required revenue in lieu of a paid lunch price increase, the SFA determines the total number of paid reimbursable lunches claimed for the previous school year and multiplies by the difference between the SY 2015-2016 weighted average paid lunch price requirement and the actual SY 2015-2016 weighted average paid lunch price.

### **Sources of Nonfederal Funds**

Beginning in SY 2013-14, USDA expanded the definition of a nonfederal source to help SFAs meet the PLE requirement and to acknowledge the continuing financial support provided by states and localities to improve access to and participation in the breakfast program. USDA has received positive response to this flexibility.

Therefore, for SY 2016-17, SFAs may continue to count as a nonfederal source:

- Per-meal nonfederal reimbursement for any paid meal (breakfast, lunch, etc.);
- Any funds provided by organizations for any paid meal; and,
- Any proportion attributable to paid meals from direct payments made from school division funds to support lunch service.

### **Credit for Excess Nonfederal Funds**

If the SFA SY 2015-2016 estimate of the required nonfederal contribution exceeded the actual level, that excess may be subtracted from the total SY 2016-2017 contribution requirement. Further, if the SY 2015-2016 estimate was less than required, additional funds from nonfederal sources must be added. The PLE tool will also determine the amount of nonfederal source contributions required and allow for making these adjustments to the calculations using the same rationale as used for paid lunch prices.

### **SY 2016-2017 PLE Tool**

The first tab of the SY 2016-2017 PLE tool includes detailed instructions on how to use the tool and the information needed to complete the appropriate calculations.

The 2016-2017 PLE tool makes the following calculations:

- Weighted average paid lunch price for SY 2015-2016
- Required paid lunch price increase for SY 2016-2017
- Required nonfederal source contribution for SY 2016-2017

The PLE tool accounts for adjustments to paid lunch prices made by the SFA in SY 2015-2016 to calculate any credit or shortfall the SFA may have accrued for SY 2016-2017. For SFAs that opted to contribute nonfederal funds, the PLE tool also calculates credits and shortfalls for the SY 2016-2017 required nonfederal source contributions.

The SY 2016-2017 PLE tool includes a feature that makes calculations for SFAs that wish to split the SY 2016-2017 requirements by both raising paid lunch prices and contributing a nonfederal source.

### **Data needed to use the PLE tool to calculate the Weighted Average Price for SY 2016-2017:**

- SY 2015-2016 Unrounded Price Requirement or SY 2010-2011 Weighted Average Price
- All paid lunch prices charged for meals served in October 2015
- The number of paid lunches served associated with each paid lunch price in October 2015

**SFAs that have opted to contribute nonfederal sources also need:**

- Total number of paid lunches served in SY 2014-2015
- The total dollar amount of SY 2011-2012 , SY 2012-2013, SY 2013-2014, SY 2014-2015 and SY 2015-2016 nonfederal contributions

**SFAs that wish to split the SY 2016-2017 requirement** by both raising paid lunch prices and contributing nonfederal sources will need all of the above information.

**Exemption from PLE requirements:**

School divisions in strong financial standing may request an exemption to the Paid Lunch Equity requirement by submitting a request for a waiver to the DOE Office of School Nutrition Programs.

A waiver to exempt the SFA from the paid lunch equity requirement for school year 2016-2017 may be granted if the SFA can demonstrate its school nutrition program is in strong financial standing. The school division must request an exemption in writing and must, at a minimum, meet all of the following criteria:

- SFA has been certified as meeting the meal pattern requirements;
- SFA school nutrition fund cash balance exceeds the equivalent of three months' average operating expenses as documented by the submission of the most recent school year annual financial report, SNP020, prior to the approval of the exemption;
- SFA demonstrates that increasing the paid meal price would result in a revenue increase that would cause the school nutrition fund cash balance to exceed three months' average operating expenses;
- SFA has taken specific steps to meet the Smart Snacks in Schools standards;
- SFA has corrected any deficiencies, implemented corrective action, and addressed any fiscal action identified in the most recent federal administrative review; and,
- Other factors may also be considered to determine whether the overall quality of the program is sufficient enough to warrant approval of the exemption request.

If you have questions or need additional information regarding the PLE requirement, contact the school nutrition program specialist assigned to your division or Catherine Digilio Grimes, school nutrition programs coordinator, via e-mail at [catherine.digilio-grimes@doe.virginia.gov](mailto:catherine.digilio-grimes@doe.virginia.gov) or by telephone at (804) 225-3969.

SRS/LAF/idl

Attachment:

- A. [Paid Lunch Equity Tool](#) (Excel) (*attachment revised March 31, 2016*)