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To: School Food Service Directors/Managers

From: Paula Tyner-Doyle

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Subject: Paid Lunch Equity: School Year 2015-2016 Calculations and Tool

School Program regulations at 7 CFR 210.14(e) require school food authorities (SFAs) participating in the National School Lunch Program (NSLP) to ensure sufficient funds are provided to the nonprofit school food service account for meals served to students not eligible for free or reduced priced meals. There are two ways to meet this requirement: either through the prices charged for “paid” meals, or through other non-federal sources provided to the nonprofit school food service account.

This memorandum provides guidance on the calculations SFA’s must make in order to ensure compliance with these requirements for the School Year (SY) 2015-16. In addition, the SY 2015-16 Paid Lunch Equity (PLE) tool with instructions, to assist SFA’s in making the required calculations, is included below.

Annual Review of Paid Lunch Revenue

SFAs must annually review their paid lunch revenue to assure compliance with the PLE requirement. When the SFAs average paid lunch price is *less than the difference between the free and paid federal reimbursement rates*, the SFA would be *noncompliant* and therefore must determine how they will meet the requirement. This may be done by increasing the **average paid lunch price** or providing funds from non-federal sources. These could include funds from the general fund, state reimbursements for paid breakfast and lunch, PTSA donations, etc.

For SY 2015-2016 Paid Lunch Equity Calculations

For SY 2015-16, SFAs must use the SY 2014-15 federal reimbursement rates and the related inflation rates when calculating PLE requirements.

Therefore, for SY 2015-2016, SFAs that, on average, charge less than **\$2.70** for paid lunches in SY 2014-2015 are required to adjust their weighted average lunch price or add non-federal funds to the non-profit school food service account. The per meal increase amount will be calculated using **2 percent plus 2.19 percent, totaling 4.19 percent**.

SFAs are reminded that they must use their unrounded, adjusted average paid lunch price requirement from SY 2014-2015 when calculating the weighted average paid lunch price increase for SY 2015-2016. For example, if the unrounded SY 2014-2015 requirement was \$2.08 but the SFA

opted to round down to \$2.05, the calculation of the 2015--2016 is based on the \$2.08 unrounded SY 2014-2015 requirement.

If the weighted average price was raised above the required amount in SY 2014-2015, that excess paid lunch price increase may be subtracted from the total 2015-2016 paid lunch price increase requirement. Retain all annual records, to document and carry forward the average price calculations.

Additionally, if weighted average prices were not raised to adjust the paid lunch price sufficiently to meet the required amount in SY 2014-2015, the shortfall must be added to the total SY 2015-2016 paid lunch price adjustment requirement.

Use of Non-federal Sources Calculation

SFA's may choose to contribute non-federal sources to the nonprofit school food service account in lieu of raising paid lunch prices. To determine the amount of required revenue in lieu of a paid lunch price increase, the SFA determines the number of paid reimbursable lunches claimed for the previous school year and multiplies by the difference between the SY 2014-2015 weighted average lunch *price requirement* and the SY 2014-2015 *weighted average lunch price*.

Sources of Non-federal funds

For SY 2013-2014 and SY 2014-2015, FNS expanded the definition of a non-federal source to include all *paid* meals to help SFA's meet the PLE requirement, acknowledging the continued support by States and locals to improve access to and participation in the breakfast program.

Therefore, for SY 2015-16, SFA's may continue to 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** for direct payments made from school district funds to support lunch service. (General Funds etc.)

Credit for Excess Non-federal Funds

If an SFA's SY 2014-2015 estimate of the required contribution exceeded the actual level, that excess contribution may be subtracted from the total SY 2015-2016 contribution requirement. Further, if the SY 2014-2015 estimate was less than required, additional funds from non-federal sources must be added. The PLE tool for determining the amount of the non-federal source contributions will allow for making these calculations using the same rationale as used for paid lunch process- credit forward any extra funds contributed and account for any shortfalls when determining the amount of non-federal funds requirement for the next school year.

2015-2016 PLE Tool

Below is the link to the 2015-2016 PLE Tool.

<http://www.fns.usda.gov/sites/default/files/cn/SP03-2015v5a.xlsx>

The first tab of the 2015-2016 PLE tool includes detailed, step by step instructions on how to use the tool and what information you will need to gather to complete the appropriate calculations.

The tool makes required PLE calculations for the following:

1. Weighted average paid lunch price for SY 2014-2015
2. Required paid lunch increase for 2015-2016
3. Required non-federal source contribution required for 2015-2016

The 2015-16 PLE tool also takes into account adjustments to paid lunch prices made by the SFA in SY 2014-2015 to credit any shortfall the SFA may have accrued for SY 2015-2016. For SFA's that opted to contribute non-federal funds, the PLE tool also calculates credits and shortfalls for the 2015-2016 required non-federal source contribution.

The tool also includes a feature that makes calculations for SFA's that wish to split the SY 2015-2016 requirement by both raising prices and contributing non-federal sources. This option may be attractive to SFA's that do not want to raise paid lunch prices the entire amount they are required. To use the ST 2015-2016 PLE tool, SFA's need the following information:

All SFA's need the following data to calculate the Weighted Average Price for 2015-2016:

- SY 2014-2015 Unrounded Price Requirement OR SY 2010-11 Weighted Average Price
- All paid lunch prices for October 2014
- Number of paid lunches served associated with each paid lunch price in October 2014

SFA's that have opted to contribute non-federal sources ALSO need:

- Total number of paid lunches served in SY 2013-2014
- Total dollar amount of non-federal contributions in SY 2011-12, SY 2012-13, SY 2013-14 and SY 2014-15

SFA's that wish to split the SY 2015-2016 requirement by both raising paid lunch prices and contributing non-federal sources will need all of the above information.

The PLE tool includes a report tab that SFA's should retain for their records. It is also useful to track the information needed to make calculations for the SY 2016-2017.

If a SFA is in strong financial standing, and can meet all of the factors for consideration, they may be considered for a PLE exemption. Please see the "SY2015-2016 PLE Exemption" link on the Child Nutrition Knowledge Center website. SFAs may contact their PLE Team Representative for additional information by calling (518) 473-8781.