DATE: March 21, 2012

TO: Authorized Representative
    School Meals Program

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SUBJECT: SP 22-2012 - Paid Lunch Equity: School Year 2012-2013
         Calculations and Tool

The interim rule entitled, “National School Lunch Program: School Food Service
Account Revenue Amendments Related to the Healthy, Hunger-Free Kids Act of 2010”
requires 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 lunches served to students not eligible for free or reduced price meals. There
are two ways to meet this requirement: either through the prices charged for “paid”
lunches or through other non-Federal sources provided to the nonprofit school food
service account. 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) 2012-13. In addition, the SY 2012-13 Paid Lunch Equity (PLE) tool to assist SFAs
as they make these required calculations is attached to this memorandum.

**SY 2012-2013 Paid Lunch Equity Calculations**

On February 15, 2012, FNS issued memo SP 15-2012 to remind SFAs that for SY 2012-
2013, SFAs which, on a weighted average, charged less than $2.51 for paid lunches in
SY 2011-2012 are required to adjust their weighted average lunch price or add non-
Federal funds to the non-profit school food service account. The amount of the per meal
increase will be calculated using 2 percent plus 2.18 percent, or 4.18 percent.

Because SFAs may round the adjusted average price for paid lunches down to the nearest
5 cents, some SFAs were not required to raise the price of paid lunches in SY 2011-2012.
These SFAs are reminded that they must use their unrounded adjusted average paid lunch
price requirement from SY 2011-2012 when calculating the weighted average paid lunch
price increase for SY 2012-2013. For example if the unrounded SY2011-2012
requirement was $2.08 but the SFA opted to round down to $2.05, the calculation of the
SY2012-2013 is based on the $2.08 unrounded SY2011-2012 requirement.
If an SFA raised its weighted average paid lunch price above the required amount in SY 2011-2012, that excess paid lunch price increase may be subtracted from the total SY 2012-2013 paid lunch price increase requirement. SFAs must keep sufficient records to document and carry forward the average price calculations.

Additionally, if an SFA did not raise its weighted average adjusted paid lunch price sufficiently to meet the required amount in SY 2011-2012, the shortfall must be added to the total SY 2012-2013 paid lunch price adjustment requirement.

**Use of Non-Federal Sources Calculation**

SFAs that choose to contribute non-Federal sources to the nonprofit school food service account in lieu of raising paid lunch prices must 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 2012-2013 weighted average paid lunch price requirement and the SY 2011-2012 weighted average paid lunch price.

**Sources of Non-Federal Funds**

Except as permitted, in SY 2012-2013 and beyond, SFAs may only use non-Federal sources that are provided to directly support paid lunches. For example, the following may be used to meet the PLE requirement:

- per-lunch reimbursements for paid lunches provided by States, counties, school districts and others;
  
  **SPECIAL NOTE:** State meal reimbursement in Iowa may not be counted toward the non-Federal source of funding because it is not at the level that is considered a subsidy.

- funds provided by organizations, such as school-related or community groups, to support paid lunches;

- any portion of State revenue matching funds that exceeds the minimum requirement established in 7 CFR 210.17 and that is provided specifically for paid lunches; or
  
  **SPECIAL NOTE:** State meal reimbursement in Iowa may not be counted toward the non-Federal source of funding because it is not at the level that is considered a subsidy.

- any proportion attributable to paid lunches from direct payments made from school district funds to support the lunch service; e.g., a pro-rata share of general funds.
Limited Extension to Include Additional Non-Federal Sources for SY 2012-2013

In recognition that the interim rule was published after many SFAs had made pricing decisions for SY 2011–2012, those SFAs that can demonstrate that they raised their prices and met the non-Federal cash contribution allowance for School Year 2011–2012, may count any non-Federal cash contribution, except for in-kind contributions and revenues from nonprogram foods, toward their SY 2012–2013 revenue calculations.

In order to do this, SFAs must contact their State agency to determine if they qualify and must provide documentation that they raised their weighted average paid lunch price for SY 2011-2012 to the level required for the PLE requirement. The State agency, in consultation with their regional office if needed, may then allow these SFAs to use the additional non-Federal sources in place for SY 2011-2012 discussed in question and answer 5 in SP 39-2011 (Revised).

Credit for Excess Non-Federal Funds

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. The PLE tool for determining the amount of non-Federal source contributions will allow for making these calculations using the same rationale as used for paid lunch prices—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.

SY 2012-13 PLE Tool

To assist SFAs making these required PLE calculations, the attached SY 2012-13 PLE tool makes the following calculations:

- Weighted average paid lunch price for SY 2012-13
- Required paid lunch price increase for SY 2012-13
- Required non-Federal source contribution required for SY 2012-13

The PLE tool also takes into account adjustments to paid lunch prices made by the SFA in SY 2011-12 to calculate any credit or shortfall the SFA may have accrued for SY 2012-13. For SFAs that opted to contribute non-Federal funds, the PLE tool also calculates credits and shortfalls for the SY 2012-13 required non-Federal source contribution.

To use the attached SY 2012-13 PLE tool SFAs need the following information:

ALL SFAs need the following data to calculate the Weighted Average Price for SY 2012-13:

- 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
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

The PLE tool includes detailed user instructions. Additionally, the PLE tool includes a report that SFAs can use to track the information they will need to make their SY 2013-14 calculations. It is recommended that SFAs print the report and keep it in their records.

Attachment