*Date:* February 26, 2016

*To:* Authorized Representatives of School Food Authorities (SFAs) Participating in the U.S. Department of Agriculture (USDA) Child Nutrition Programs

*From:* Jessica Sharkus, RDN, CD Director-School Nutrition Team

*Subject:* Paid Lunch Equity (PLE) Requirements for School Year (SY) 2016-17

Now is the time to start talking with your school boards and administrators about the PLE requirement if you need their approval to raise lunch prices. The USDA regulations, 7 CFR 210.14(e), requires completion of the PLE tool by SFAs participating in the National School Lunch Program (NSLP) in order to ensure SFAs have sufficient funds for the nonprofit school food service account for meals served to students not eligible for free or reduced price meals. There are three ways to meet this requirement: through the prices charged for “paid” meals, through other non-federal sources provided to the nonprofit school food service account, or through a combination of the two.

The USDA has created the SY 2016-17 PLE tool to assist each SFA in:

* Calculating the weighted average paid lunch price for SY 2015-16.
* Calculating the required paid lunch price increase for SY 2016-17.
* Calculating the required non-federal source contribution required for SY 2016-17 (if needed).

The SY 2016-17 PLE tool and step-by-step instructions are available on our website at <http://dpi.wi.gov/school-nutrition/national-school-lunch-program/financial> under the heading of Paid Lunch Equity.

All SFAs must use the PLE tool to determine if paid student lunch prices are required to be increased for the next school year or if a contribution of non-federal funds is required, or a combination of the two. Completing the tool is required regardless of whether there is a positive balance in Fund 50 (or the food service account for private schools) or if the school is currently charging $2.78 or higher for paid lunches. The only exceptions to this requirement are SFAs that participate in one of the following:

Community Eligibility Provision (CEP) district-wide

Provision 2 (P2) district-wide

* Non-pricing district (students are not charged for meals)

*Sources of Non-Federal Funds*

SFAs may choose to contribute non-federal funds to the nonprofit school food service account in lieu of raising paid lunch prices. To calculate the appropriate amount to contribute, the SFA needs to determine the total number of paid reimbursable lunches claimed from the previous school year and multiply the difference between the SY 2016-17 weighted average price requirement and the SY 2015-16 weighted average paid lunch price. The PLE tool will assist the SFA in completing this calculation (see tabs labeled SY 2016-17 Non-Federal Calculator or SY 2016-17 Split Calculator).

For the SY 2016-17, in Wisconsin, there are now *five* allowable sources of non-federal funds that can be used to subsidize the paid lunch prices.

1. Per meal non-federal reimbursement for any paid meal (SY 2013-14 and forward): USDA expanded the definition to include breakfast; therefore, in Wisconsin, SFAs may continue to utilize the *paid portion* of the state match for school breakfast. Note: Even though USDA allows 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, Wisconsin does not exceed the minimum required amount for lunch. Therefore, state funds for lunch cannot be used as a source of non-federal funds in Wisconsin.
2. Funds provided by organizations (SY 2013-14 and forward): The use of school-related or other community group funds to support paid lunches.
3. Fund transfers from Fund 21 (SY 2013-14 and forward): This is the transfer of money from Fund 21 (Special Revenue Trust Fund) to Fund 50 (Food Service Account). The Wisconsin Uniform Financial Accounting Requirements (WUFAR) allows for this type of transfer. This includes the use of “Angel Funds”.
   * “Angel Funds” (i.e., donations received from outside sources that are specifically designated by the donor for food service purposes) may be used as a source of non-federal funds. Funds gifted, without a specific purpose by the donor, may be transferred from Fund 21 to Fund 50 and used as a non-federal fund source. If money from the “Angel Fund” has already been deposited into Fund 50, SFAs will need to determine how much of the money in Fund 50 was contributed from the “Angel Funds”. Adequate documentation and records must be maintained in order to track gifts in Fund 50 to ensure they are still part of the accumulated fund balance.
4. Donations/Gifts from Fund 60 (SY 2014-15 and forward): This is the donation/gifting of money from Fund 60 (Agency Fund) to Fund 50. WUFAR allows for this type of transaction.

This fund is used primarily to account for assets held by the district for pupil organizations. Funds held for parent organizations may be accounted for in Fund 60 and are accounted for as a liability to the parent organization. The parent organization may not be a separate 501(c)(3) entity. Receipts such as pupil deposits for books, locks, etc; other receipts such as school lunch collections, athletic admissions and other fees may be temporarily deposited to agency fund checking accounts maintained at school locations until these items are remitted to the district's business office for placement in required funds.   
  
A district could use money from Fund 60 if a student or parent group wishes to make a donation/gift to the school or the food service area, specifically for the purpose of offsetting the need to raise meal prices. The student or parent group must designate that money for this purpose. The district cannot take any funds from Fund 60 without the student or parent group electing to make the donation/gift.  
  
If the organization does specify that the money is to be used to offset future Fund 50 meal increases, then the donation/gift from Fund 60 could be receipted directly in Fund 50. If the student or parent group wishes to make a donation/gift to the district, and it is not specified that the use is to offset future meal price increases, then the donation/gift would be deposited in Fund 21. The district could then make the determination that money donated/gifted to Fund 21 could be used for that purpose.

1. Fund transfers from the General Fund or Fund 10 (SY 2014-15 and forward): Through the WUFAR system, public school districts are able to transfer money from the district’s General Fund (Fund 10) into the nonprofit Food Service Account (Fund 50) as a source of non-federal funds. You can start coding the transfer right away if you know the amount you want to cover by the General Fund. As long as it is recorded at some point during the year, it will be included in the Department of Public Instruction (DPI) Form PI-1505 ‑ Annual Report.

If your district determines that it can and will use non-federal funds to cover some or the entire price increase, you must document the sources on the report tab of the SY 2016-17 PLE tool. It is recommended that the fund transfer be completed at the beginning of the school year to allow for the funds to support school nutrition activities throughout the year.   
  
Reminder: If there is a deficit in Fund 50 at the end of the year, you will need to transfer the full deficit amount in addition to the non-federal amount indicated in the PLE tool.

Note for private schools: Private schools do not use the WUFAR system, therefore may continue to transfer money as needed from the school’s General Fund to the nonprofit Food Service Account as a source of non-federal funds.

*Positive Fund Balance/SFAs in Strong Financial Position*

The goal of the PLE provision is to bring in new revenue to SFAs, to strengthen their financial standing, and to financially support the improvements required by the new meal patterns. However, USDA is allowing SFAs in strong financial standing that can demonstrate they will have an excess cash balance (more than three months’ worth of operating expenses in the ending fund balance) for SY 2015-16 to apply for a PLE exemption. The PLE exemption form can be located at the link below.

The following resources are available on the DPI website at: <http://dpi.wi.gov/school-nutrition/national-school-lunch-program/financial>:

* PLE tool for SY 2016-17.
* Step-by-step instructions to meet the PLE requirement by:
  + Increasing the weighted average paid lunch price only.
  + Contributing non-federal sources only.
  + Increasing the weighted average paid lunch price and contributing non-federal sources.
* PLE exemption form (only for agencies with an excess cash balance for SY 2015-16).

Please be sure to print out and electronically save the completed PLE tool in order to provide documentation that supports your paid lunch prices. SFAs are now required to upload the PLE tool in excel format as part of the annual online contract. The PLE tool is considered a part of required record retention and should be made available during the USDA Administrative Review of your SFA’s school meal program.

For concerns or questions regarding any of the information in this memorandum, please contact the School Nutrition Team at (608) 267-9228.