

In a "Nutshell"

Nonprogram Food Revenue

Understanding USDA's Nonprogram Food Revenue Rule



Nonprogram Food Revenue Rule 7 CFR Part 210 - All food sold in a school and purchased with funds from the nonprofit school food service account, **other than meals and supplements reimbursed by the United States Department of Agriculture (USDA)**, must generate revenue at least equal to the full cost of such foods.

All nonprogram costs must be covered by revenues received from the sale of the nonprogram foods including:

- Food
- Labor
- Equipment
- Purchased services
- Other expenses

Nonprogram foods may not:

- Be supported by funds from reimbursable meals or have losses absorbed by the food service account.

If nonprogram food revenue runs in the negative:

- Non-federal funds must be transferred into the food service account to cover the deficit.

Nonprogram foods include any non-reimbursable foods and beverages purchased using funds from the nonprofit foodservice account to include, but not limited to:

- Extra entrees
- A la carte items
- Adult or visitor meals
- Cold lunch milk/extra milks sold/paid milk breaks/ unreimbursed Wisconsin School Day Milk
- Food service operated vending machines
- Foods sold outside school hours by food service
- Foods used for catering
- Foods sold to classes or fundraisers
- Vended meals sold to other agencies (Joint)
- Any other foods for which the School Food Authority does not receive reimbursement from USDA

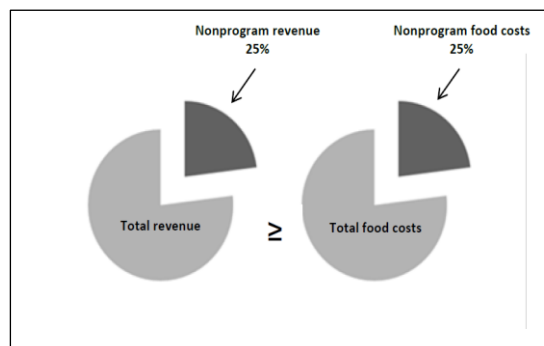
Nonprogram food revenue compliance requires all SFAs to:

- Separate nonprogram food costs from program food costs.
- Separate nonprogram food revenues from program food revenues.
- Sufficiently increase nonprogram food prices to cover all costs and comply with the revenue ratio.
- Use the USDA Nonprogram Food Revenue Tool http://dpi.wi.gov/sites/default/files/imce/school-nutrition/xls/npr_tool.xls annually, at a minimum, to determine if the proportion of nonprogram food revenue to total food service revenue is equal to or greater than the proportion of nonprogram food cost to total reimbursable meal food costs + nonprogram food cost.

$$\frac{\text{Nonprogram Food Revenue}^3}{(\text{Nonprogram Revenue} + \text{Program Revenue})^4} \geq \frac{\text{Nonprogram Food Costs}^1}{(\text{Nonprogram Costs} + \text{Reimbursable Meal Costs})^2}$$

In the example below, the cost for reimbursable meal food is \$1,500 and the cost for nonprogram food is \$500. When added together this equals a sum of \$2,000 total food cost. \$500 in nonprogram food cost is 25% of the \$2,000 total food cost. Because the total cost of nonprogram food is 25% of the total food cost, the revenue generated from the sale of these nonprogram foods must be at least 25% of the total school food service account revenue. Since the nonprogram revenue of \$1,000 is 25% of total food service revenue of \$4,000, no additional nonprogram food revenue is needed to comply. If the nonprogram food revenue ratio was less than 25%, an increase would be required.

Cost for Reimbursable Meal Food	\$ 1,500
Cost of Nonprogram Food ¹	\$ 500
Total Food Costs ²	\$ 2,000
Total Nonprogram Food Revenue ³	\$ 1,000
Total Revenue ⁴	\$ 4,000
Minimum portion of revenue from nonprogram funds	25%
Minimum Revenue Required from the Sale of Nonprogram Foods	\$ 1,000
Additional Revenue Needed to Comply	\$ -



To complete the DPI Nonprogram Food Revenue Tool (<http://dpi.wi.gov/sites/default/files/imce/school-nutrition/xls/non-program-food-price-calculator.xlsx>) which feeds into the USDA tool, the SFA must:

- Select a **reference period** of at least 5 consecutive operating days of a regular school week.
 - Compare the **reference period revenue ratio** to the **reference period food cost ratio** to determine if the revenue ratio is equal to or greater than the food cost ratio. Rather than separating all costs for the entire year (although recommended), SFAs may separate their nonprogram food costs from their program food costs for the selected **reference period**. If the revenue ratio is equal to or greater than the food cost ratio, the SFA is in compliance.
- Collect the following SFA-wide information for the **reference period**:
 - For nonprogram food revenue, the dollar amount of nonprogram food sales.
 - For total revenue, the dollar amount of program and nonprogram food sales.
 - For nonprogram food cost data, include:
 - An itemization of all nonprogram foods to be offered during the reference period,
 - The per item/serving cost of each nonprogram food,
 - The number of servings/items sold for each nonprogram food.
 - For program food cost data, include:
 - An itemization of all program foods to be offered during the reference period,
 - The per reimbursable meal cost of each program meal,
 - The number of reimbursable meals sold.
 - For total food cost data, include all nonprogram food cost data and program food cost data.

Tool Exceptions – SFAs that sell **only nonprogram milk** and **adult meals** as nonprogram foods are exempt from completing the USDA Nonprogram Food Revenue tool. Although SFAs are still required to separate their nonprogram milk and adult meal costs from program costs and nonprogram milk and adult meal revenues from program revenues.

- **Nonprogram Milk** - Compliance is determined by recovering more than the per-serving cost. For example: If the per serving raw food cost of a carton of milk is \$.21, a minimum charge of \$.25 is allowable as \$.25 covers the food cost and adds a small amount to cover other costs.
 - Food cost expenditure for nonprogram milk may be pulled out of total food cost expenditure by taking the average net dairy cost (e.g. \$.21) X number of nonprogram milks sold. Any paper cost like straws or napkins should also be included.
 - Revenue from nonprogram milk may be pulled out of total revenue by taking the actual per carton selling price (e.g. \$.25) X number of nonprogram milks sold.
- **Adult Meal** - Compliance is determined if adult meals are priced using the adult meal minimum price calculation, which for pricing schools, is calculated by taking the highest paid student meal price, adding all state and federal reimbursements, and adding the USDA foods value to equal the minimum price to charge. For non-pricing schools, the free federal reimbursement rate is used plus the state reimbursement and USDA foods value to equal the minimum price to charge.
 - Food cost expenditure – calculate the average per meal raw food cost by meal type NSL, SB, etc. *DPI has created a tool to cost out your menus per meal by meal type which may assist you in this process* <http://dpi.wi.gov/sites/default/files/imce/school-nutrition/xls/menu-raw-food-costing-tool.xls>. Once you know the average per meal raw food cost by meal type, you multiply that by the number of adult meals sold and pull that cost from the overall food expenses.
 - Labor cost expenditure – need to know the total labor hours allocated by program via weekly time study done annually. For example: If you sold 475 student lunches and 25 adult lunches on average per day, for a total of 500 lunches, the student lunches are 95% of the total lunches (475/500) and would use 95% of the labor hours, and adult lunches would use 5% of the labor hours as 25 lunches/500 total lunches = 5%. If it takes 5 labor hours to prepare the 500 meals, 95% of those 5 labor hours or about 4.75 hours are spent on student meals, and 5% of those labor hours or about .25 hours are spent on adult meals. If you know your total labor cost overall, apply the 5% to the total to get just the portion of labor to allocate to the adult lunches. Conduct a separate time study for breakfast as the percentage could be far different.
 - Revenue from adult meals may be pulled out of total revenue by taking the actual per meal selling price (e.g. \$4.00) X number of adult meals sold.

Additional guidance and resources

- SFAs must annually be provided information on food costs and revenues from Food Service Management Companies (FSMC) for fixed price per meal contracts where revenues from nonprogram food sales are converted into meal equivalents. The information must include food cost for reimbursable meals, food cost for non-program food, revenue from nonprogram food, and total revenue to determine SFA compliance with nonprogram food revenue requirements.
- The Menu Raw Food Costing Tool <http://dpi.wi.gov/sites/default/files/imce/school-nutrition/xls/menu-raw-food-costing-tool.xls>
- The Institute of Child Nutrition's Food Buying Guide <http://fbg.nfsmi.org/> provides useful information for determining the serving sizes for food items either sold individually or incorporated into recipes.
- Wisconsin Adult Meals Minimum Pricing Guide <http://dpi.wi.gov/sites/default/files/imce/school-nutrition/doc/wisconsin-adult-meal-pricing-guide.doc>