

# Food Service Facts Table of Contents

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## 12. Financial Management

### Understanding & Controlling Costs

Child Nutrition & Wellness, KSDE has developed a series of financial reports in KN-CLAIM to assist sponsors with understanding and controlling food service costs. The reports guide the user through the following steps:

- ◆ Determine current financial status
- ◆ Analyze potential average revenue from reimbursable meals
- ◆ Analyze program participation by site
- ◆ Analyze food costs

The worksheets can be viewed in KN-CLAIM, Applications, Financial Management. If you need assistance with understanding or completing the worksheets, please contact the Child Nutrition & Wellness office or your area child nutrition consultant.

Use the self analysis tool located at the end of this chapter as the first step in evaluating current business practices and financial controls.

### Meal Pricing

#### Reimbursement Rates

The reimbursement rates for the National School Lunch, School Breakfast, Special Milk and After School Care Snack Programs are announced annually by USDA and are effective from July 1 through June 30. In addition to the federal reimbursement rates, sponsors in Kansas receive cash-in-lieu of commodities and state reimbursement for all reimbursable student lunches served. For current reimbursement rates, refer to the Child Nutrition & Wellness website: [www.kn-eat.org](http://www.kn-eat.org), School Nutrition Programs, Reimbursement rate.

#### Pricing Student Meals

All reimbursable school meals must be priced as a unit. The “Offer or Serve” provision cannot affect the meal price. Regardless of the items chosen, the student must pay the established full or reduced price meal charge.

Sponsors determine the meal charge for paid meals and report those meal charges to KSDE on the Sponsor Application. Factors to consider include: food, labor and other costs; the impact of price on program participation; general fund subsidies; and federal and state reimbursement rates. At a minimum, sponsors should evaluate meal prices annually. The charge for a full price meal may vary by grade level.

To ensure that sufficient funds are provided to the food service account for paid lunches, School Food Service (SFA) must compare the average price for paid lunches to the difference between the per meal Federal reimbursement for free and paid lunches. If a SFAs average price for lunches is less than the difference between reimbursements, it must increase the price by either

increasing the price charged to children or adding non-Federal funds to the food service account.

For additional information, the Equity in School Lunch Pricing Fact Sheet and a Paid Lunch Equity Pricing Tool to help calculate new lunch prices or the non-Federal source the SFA must pay to be compliant with the price equity requirement are available at [www.kn-eat.org](http://www.kn-eat.org), School Nutrition Programs, What's New.

If a SFA decides NOT to raise meal prices and decides to add non-Federal funds to the food service account to comply with this law, the SFA must complete the Paid Lunch Equity Pricing (PLE) Tool to calculate the amount of non-Federal source contribution and have the amount of the required subsidy approved by the school board. Submit the PLE tool and the board minutes as documentation of compliance to Child Nutrition & Wellness, KSDE.

Sponsors are required to offer both reduced price and free meals unless a school serves all meals without charge and/or operates under Provision 2. The reduced price meal charge cannot exceed \$.40 for lunch, \$.30 for breakfast and \$.15 for an after school snack. The reduced meal price meal charge must be less than the full price meal charge.

Schools may offer students a choice of reimbursable lunches. The school may establish different unit prices for each type of lunch served provided that the benefits made available to students eligible for reduced price or free meals are not affected. For example, if the school offers a "super" lunch with larger servings of meat/meat alternate or other premium items without charging an a la carte price, the "super" lunch must be available to the reduced price and free participants at no additional charge if these meals are to be claimed for reimbursement.

### Pricing Adult Meals

The sponsor should set the adult meal charge at least equal to the free meal reimbursement rate. If the adult meal charge is less than the free meal reimbursement rate, sponsors must provide income from sources outside the Food Service Fund to pay the difference between the free meal reimbursement rate and the meal charge. At no time may student payments for meals or a la carte items or federal or state reimbursement be used to subsidize the cost of adult meals.

At the discretion of the sponsor, meals may be served at no charge to adults directly involved in the operation of lunch/breakfast programs. This includes persons responsible for menu planning, purchasing, preparation, clean-up and service of the meals. KSDE strongly encourages sponsors to provide meals at no charge to food service personnel.

Meals served to teachers, teacher aides, volunteer mothers, etc., in exchange for meal supervision or monitoring in the dining area may be considered as costs attributable to the school nutrition program. Therefore, the cost of these meals may be included in school nutrition program costs and may be paid from the Food Service Fund. Charging such adults for meals is left to the discretion of the sponsor.

Income from sources other than federal and state reimbursement, or children's payments must be used to pay for the cost of meals served to teachers, custodians or administrative personnel who do not supervise the cafeteria. KSDE encourages sponsors to charge these adults the established meal price.

- ◆ In no case should the funds available to pay the cost of student meals be used to supplement the cost of adult meals.
- ◆ In no case should the funds available to pay the cost of adult meals be less than the actual cost of providing the meals.
- ◆ If meals are included as a fringe benefit or offered as part of the salary arrangement for non-food service personnel, the Sponsor must transfer enough money from other funds to the Food Service Fund to pay the cost of these adult meals. An audit trail of this fund transfer must be documented.

### **Pricing Non Program Food**

#### **(a la carte, adult meals, catering, second portions including milk, etc.)**

As a result of the Healthy, Hunger-Free Kids Act, USDA requires all non program food to be priced to cover costs. At a minimum, prices should cover the total food, labor, direct and indirect costs for producing each item. When pricing items, it is recommended to price healthy foods (i.e., milk, fruit) at a relatively low cost to encourage consumption of these items. For other items, set prices close to what competitive retail outlets charge. Reimbursable meals should be priced lower than the total of the individual prices for the same menu items.

A new financial management tool is available in KN-CLAIM, “Estimated Revenues from Non Program Food”. Use this tool to see if non program foods are priced appropriately and make changes as needed.

### **Needy Children Who Are Not Eligible for Reduced Price or Free Meal Benefits**

Sponsors may establish a fund to cover the cost of meals for needy students who may not be eligible for reduced price or free meals; or who refuse to accept reduced price or free meal benefits; or who fail to complete an application or Direct Certification documentation is not available. Contributions from civic groups or individuals may be put into a separate fund to cover these costs.

### **Meal Charging Policy**

Sponsors are encouraged to establish their own procedures for allowing students to charge meals. Charge policies may vary by grade level. Sponsors must inform students and their parents/guardians of the charge policy through student handbooks, school newsletters, enrollment materials, the reverse side of the menu calendar or other written communication.

If a student in the paid or reduced price category has charged meals in excess of the sponsor’s established policy, the student may be required to pay for the meal prior to being served.

A student in the free eligibility category may not be denied a reimbursable free meal, regardless of the number of “charges” the student has made in the past. For example, a student may have accumulated excessive a la carte charges or meal charges prior to being approved for free meals. Once approved for free meals, the student must be allowed to eat the reimbursable meal at no charge.