

National School Lunch Program Paid Lunch Equity Requirement SY 14-15

TUSD Food Services Department

May 5, 2014

In accordance with USDA Paid Lunch Equity, the interim rule, "National School Lunch Program: School Food Service Account Revenue Amendments Related to the Healthy, Hunger-Free Kids Act of 2010", published in the Federal Register on June 17, 2011, (76 Federal Register 35301)(School Program regulations at 7 CFR 210(e) 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 certified eligible for free or reduced price meals. The rule, and the statutory provision it is based on, Section 12(p) of the Richard B. Russell National School Lunch Act, 42 USC 1760(p), provide two ways for (SFAs) to meet this requirement: either through gradually raising the prices charged for "paid" lunches or through providing an equivalent amount of funds from non-Federal sources to the nonprofit school food service account.

The SY 2013-14 *Weighted Average Price Calculator* (provided by USDA) was used to review TUSD's weighted average "paid lunch" participation volume and average price. SFAs which, on a weighted average, charged less than \$2.65 for paid lunches in SY 2013-14 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 2.27 percent, or 4.27 percent total.

The weighted average of price paid per meal by full pay students using the Tucson Unified School District lunch program was \$ 2.23. Increasing the full pay lunch meal price to \$2.60 for grades 6-12 and \$2.10 for grade PreK-5, will narrow the gap between the required weighted average and current weighted average by .07 cents. This provides a stepped increase for parents/guardians for lunch meal costs, lessens any subsidy of full pay meal costs with free and reduced-price meal reimbursements and positions the response to the Paid Lunch Equity requirement for one more school year.

SY 2013-14 Weighted Average Price Calculator

October 2013

Monthly # of Paid Lunches PreK-5:	32,840	Paid Lunch Price: \$ 2.00	Monthly Revenue: \$ 65,680.00
Monthly # of Paid Lunches 6-12:	<u>27,445</u>	Paid Lunch Price: \$ 2.50	Monthly Revenue: \$ <u>68,612.50</u>
Total	60,285	Total	\$134,292.50

Total SY 2013-1014 Weighted Avg Price: \$2.23 Total Price Increase for SY 2014-15: .07 **Required price for SY 2014-15: \$2.30**

SY 2014-2015 New "Paid Lunch" Prices: .10 cent increments authorized rounded up or down

PreK-5 \$ 2.10

6-12 \$ 2.60

(.10 cents added to each section gave us an overall weighted average of \$2.33)

Weighted Average Price for SY 2014-2015 (using current participation figures) \$ 2.33 **(we rounded down to \$2.30)**

School Food Authorities (SFAs) who offered a weighted average "paid lunch" price for SY 13-14 equal to or above \$2.65 are covered for next school year (SY 14-15).

\$2.65 is the difference between the current Free and Paid lunch reimbursement rate for SY 2013-14.

School Food Authorities who did not offer a "paid lunch" price for SY 13-14 equal to or above \$2.65 are required to

- a) set our "paid lunch" price to a level that will give us a weighted average price of \$2.65
- b) **OR** we are allowed to take "stepped" increases for one or two year timeframes with a minimum of .10 cent steps.
- c) If we choose the step increase (often done in 1 or 2 year steps) we work with the *USDA SY 2014-SY 2015 Price Adjustment Calculator* tool, which is what we have done.

TUSD has a majority of elementary schools, which when used for calculation creates overall paid lunch participation figures with a lower "paid lunch" price, as the MS & HS high paid lunch prices are higher but overall participation is lower in comparison. When we enter our participation numbers for "paid lunch" claims, this factor reduces our overall weighted average price.

The calculator process indicated that our SY 13-14 weighted average price was \$2.23. The process gave us an option for SY 14-15 to take a (1) year step to reach a weighted average price of \$2.30. This price is based on adjusting SY 13-14 price requirements by the 2% rate increase plus the Consumer Price Index (2.27%).

In order for us to take a (1) year step increase, closer to the required weighted average for the USDA SY 14-15

(\$ 2.65) level, we need to reach a calculation that is equal to and/or above the \$2.30 overall weighted average. We will need to increase our "paid lunch" prices by .10 cents (which is the permitted minimum you can raise the price in a step) to reach the overall goal of the weighted \$2.30 price.

The .10 cent increase will take us a step closer and place us in compliance for (1) year.

PreK-5 Paid Lunch Price: from \$2.00 (SY 13-14) to **\$2.10 (SY 14-15)**

6-12 Paid Lunch Price: from \$2.50 (SY 13-14) to **\$2.60 (SY 14-15)**

Using the new price figures with the overall participation (largely elementary, which has a lower price) we will average the \$2.30 weighted average paid lunch price required for compliance in SY 14-15.

NOTE: This legislation was primarily put in place because many school districts operating the meal program were subsidizing their paid meals with reimbursement revenue rather than charging enough to cover the food, labor and operational cost. The intent was to ensure that sufficient funds are provided to the food service account for paid lunches.

If we do not make this change for next year, we will be operating out of compliance. The rule is currently under review and may be revised within a year for SFA's indicating balanced financial operations. In the meantime, before a final ruling, we will need to either jump to a new "paid lunch" price that gives us an overall weighted average of \$2.65 next school year **or** take the (1) year minimal required step option so that the impact is not as dramatic. USDA and ADE have encouraged us to take minimal steps to cover 1 to 2 years toward the current required weighted average price so that the impact is not as heavy.

TUSD previously took a (2) year price increase step for this ruling covering the SY 2012-13 and SY 2013-14 timeframe. We are now proceeding to the next step, which will take us closer to the current figure for SY 2014-15. *I am recommending a (1) year step increase in price due to the possible upcoming changes currently under review and discussion within the national school food industry.*