USDA
United States Department of Agriculture

Food and Nutrition Service

Park Office Center

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Alexandria
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DATE: July 8, 2016

MEMO CODE: SP 46-2016

SUBJECT: Unpaid Meal Charges: Local Meal Charge Policies

TO: Regional Directors
Special Nutrition Programs
All Regions

State Directors
Child Nutrition Programs
All States

The purpose of this memorandum is to address the need for school food authorities (SFAs) participating in the Food and Nutrition Service (FNS) National School Lunch Program (NSLP) and School Breakfast Program (SBP) to institute and clearly communicate a meal charge policy, which would include, if applicable, the availability of alternate meals. Because all students in participating schools may receive reimbursable school meals, all SFAs must have a policy in place for children who are participating at the reduced price or paid rate, but either do not have money in their account or in hand to cover the cost of the meal at the time of service. Such a policy ensures that school food service professionals, school administrators, families, and students have a shared understanding of expectations in these situations.

For the past several years, the U.S. Department of Agriculture (USDA) has been examining policies and practices relating to unpaid meals. This examination was undertaken in response to section 143 of the Healthy, Hunger-Free Kids Act of 2010 (Public Law 111-296; December 13, 2010) entitled "Review of Local Policies on Meal Charges and Provision of Alternate Meals." In addition, Congress required USDA to report on the feasibility of establishing national standards for meal charges and alternate meals and, if applicable, to make recommendations for implementation.

During that examination, FNS sought feedback from key stakeholders through a variety of forums and specifically sought strategies and insight from school food service administrators with direct experience managing meal charges. In addition, FNS undertook a thorough review of meal charge policies and practices provided by State and local officials. FNS was careful to consider a wide variety of communities and the scope of this issue, understanding that the effectiveness of a policy depends on the size of an SFA, its location, and even the demographics of the students it serves. FNS has determined that due to these variations, meal charge and alternate meal policies should continue to be made at the State or local level.

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Establishing a Meal Charge Policy
It is important that meal charge and alternate meal policies are clearly communicated to school administrators, school food service professionals, families, and students. Stakeholders at the local, State, and national levels emphasized that developing and communicating meal charge policies prevents confusion for students and families and promotes effective financial management of the school meal programs.

As stated in program regulations at 7 CFR 245.5, parents or guardians of all children in attendance at schools participating in a Federal school meal service program must be informed of the availability of reimbursable school meals and must be provided information about applying for free or reduced price meals. This is consistent with the Richard B. Russell National School Lunch Act (NSLA), which states at 42 U.S.C. 1758(b)(2)(A) that SFAs shall publicly announce the income eligibility guidelines for free and reduced price meals on or before the opening of school annually. Federal regulations at 7 CFR 210.12 also require that SFAs promote activities to involve students and parents or guardians in the school meal programs and inform families about the availability of the SBP. Including students, families, and the school community in establishing and developing a communication plan for the meal charge policy complements the public announcement of meal eligibility requirements in 7 CFR 245.5 and is consistent with the involvement required in 7 CFR 210.12.

Information about the availability of the school meal programs and their benefits may be communicated using a variety of methods, but the regulation requires that all families are notified. This notification is in addition to general releases such as public releases to local media outlets or those posted on school or district websites. For example, many school districts send the school meal application and instructions on how to apply in a back-to-school packet mailed to families. Consistent with this long-established practice, stakeholder feedback indicated that many SFAs also use existing notification methods to communicate their meal charge policies to parents, guardians, and students.

Based on these provisions, and consistent with key stakeholders' current practices, FNS has determined that students and their parents or guardians also must be informed about how students who pay the full or reduced price cost of a reimbursable meal are impacted by having insufficient funds on hand or in their account to purchase a meal. Therefore, no later than July 1, 2017, all SFAs operating NSLP and/or SBP must have a written and clearly communicated meal charge policy in order to ensure a consistent and transparent approach to this issue. Policies developed at the SFA level must be provided to the State agency during the Administrative Review.

Meal Charge Policy Considerations
State agencies and SFAs have discretion in developing the specifics of individual policies including the level at which the policy is developed. Some State agencies may choose to develop a State-level meal charge policy to be implemented by all SFAs operating the NSLP and SBP throughout the State. If the State agency does not develop a State-level

policy, SFAs must develop and implement an SFA-level policy for each school operating the NSLP and SBP. While the policy is developed at the State or SFA-level, the policy may vary for elementary, middle, and high schools, as discussed below.

In developing a meal charge policy, FNS encourages adoption of policies that allow children to receive the nutrition they need to stay focused during the school day, minimize identification of children with insufficient funds to pay for school meals, and maintain the financial integrity of the nonprofit school food service account (NSFSA). However, the specific policy is at the discretion of the State agency or SFA, as applicable. Policies may allow students to charge all types of available reimbursable meals, offer alternate meals, impose a limit on charges, or allow neither meal charges nor offer alternate meals. Additionally, policies may be consistent for all students or vary based on student grade levels.

SFAs also must include policies regarding the collection of delinquent meal charge debt in the written meal charge policy. In establishing policies regarding collection of delinquent debt, SFAs are encouraged to consider the benefits of potential collections in the context of the costs that would be incurred to achieve those collections. Additional guidance on how Federal regulations and the definition of "bad debt" apply to the NSFSA when unpaid meal charges are not collected may be found in SP 47-2016, *Unpaid Meal Charges: Clarification on Collection of Delinquent Meal Payments*, July 8, 2016.

Please note that, as with all aspects of program operations, food service management companies must operate in compliance with meal charge policies established by the State agency or SFA.

Policy Communications

Whether developed at the State or SFA-level, SFAs must ensure that the policy is provided in writing to all households at the start of each school year and to households that transfer to the school during the school year. Additionally, SFAs are encouraged to include the policy in student handbooks and/or in online portals households use to access student accounts. SFAs are encouraged to use multiple methods to disseminate the policy. The written policy also could be provided again to the household through mail or email the first time the policy is applied to a specific student.

SFAs also must provide the meal charge policy to all school or SFA-level staff responsible for policy enforcement. This includes school food service professionals responsible for collecting payment for meals at the point of service, staff involved in notifying families of low or negative balances, and staff involved in enforcing any other aspects of the meal charge policy. School social workers, school nurses, the homeless liaison, and other staff members that may assist students in need also should be informed of the policy. FNS also encourages SFAs to provide information about the policy to principals, assistant principals, and other administrators to ensure they are familiar with and supportive of the policy.

Policy Development Resources

FNS is currently developing resources that State agencies and SFAs can use in their efforts to create an effective meal charge policy. These resources, which will be available on the school meal programs website (http://www.fns.usda.gov/school-meals/child-nutrition-programs) in 2016, include:

- A handbook summarizing best practices that FNS collected from State agencies, SFAs, schools, and other key stakeholders working to overcome the challenge of unpaid meal charges;
- Webinars sharing ideas and strategies submitted from local-level officials during FNS' open comment period about unpaid meal charges from October 2014 through January 2015; and
- Relevant policy memoranda and guidance documents developed by FNS, including guidance on the process of designating delinquent debt that has been determined to be uncollectable as bad debt and obtaining assistance to offset bad debt losses, and clarification on how the definition of "bad debt" applies to the NSFSA when unpaid meal charges are not collected.

FNS recognizes that various strategies will be successful in large part based on the scope of the meal charge issue and unique local circumstances. The best practice resources available from FNS are designed to provide examples of strategies to use as a starting point when designing a meal charge policy that meets State and local needs.

State agencies are reminded to distribute this information to Program operators immediately. Program operators should direct any questions regarding this memorandum to the appropriate State agency. State agency contact information is available at http://www.fns.usda.gov/cnd/Contacts/StateDirectory.htm. State agencies should direct questions to the appropriate FNS Regional Office.

Original Signed

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