



Food and  
Nutrition  
Service

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DATE: January 12, 2017

MEMO CODE: SP 17-2017

SUBJECT: Paid Lunch Equity: Guidance for School Year 2017-18

TO: Regional Directors  
Special Nutrition Programs  
All Regions

State Directors  
Child Nutrition Programs  
All States

This memorandum extends, through school year (SY) 2017-18, the availability of an exemption to the Paid Lunch Equity (PLE) requirement for certain school food authorities (SFAs) in strong financial standing, as described below. The Food and Nutrition Service (FNS) provided an exemption to this requirement in previous SYs, following publication of the interim rule “National School Lunch Program: School Food Service Account Revenue Amendments Related to the Healthy, Hunger-Free Kids Act of 2010” (see SP 34-2013, SP 28-2014, and SP 19-2015). State agencies continue to receive requests for the PLE exemption. Extending the exemption for an additional year will allow FNS to continue to gather feedback and experience with the exemption in order to inform future policy considerations, including a final rule.

In SY 2017-18, State agencies should exempt an SFA from the PLE requirements at 7 CFR 210.14(e) if the SFA requesting the exemption has been certified as meeting the meal pattern requirements and can demonstrate that the required increase to paid lunch prices or revenue contributions would cause the SFA to exceed the 3-month operating balance limit. For example, when evaluating financial documentation provided by an SFA, the State agency may determine that, because the SFA consistently carries a 2-month operating balance, failure to provide the PLE exemption would cause the SFA to exceed the 3-month operating balance limit.

In making an exemption determination, a State agency, using the attached list of Factors for Consideration, also must consider whether there are other necessary or appropriate uses for the SFA’s funds. In some instances, those funds might be better used to operate or improve the Program, to meet Program requirements and goals, or to address deficiencies in Program operations. Examples of ways SFAs can use extra funds include improvements to the quality of meals and improvements to cafeteria equipment. This additional investment in the meal service would thus prevent a surplus of funds from accruing to an SFA’s nonprofit school food service account.

Regional Directors

State Directors

Page 2

Because the financial standing of a nonprofit school food service account may change from year to year, SFAs that were granted previous exemptions must request a new exemption for SY 2017-18 and must provide their State agency with the proper documentation to be considered for the exemption. State agencies must evaluate all aspects of food service operations including meal costs, nonprogram food revenue, and compliance with all requirements, including the Smart Snacks in Schools standards, when determining whether to grant exemption requests.

FNS will continue to work with State agencies to assist them, as needed, in evaluating the PLE exemption requests submitted by SFAs. State agencies are reminded that they must maintain documentation (including how the State agency evaluated all factors for consideration) for all SFAs that are granted a PLE exemption and that this documentation may be reviewed upon request and during a Management Evaluation.

State agencies are reminded to distribute this memorandum to Program operators immediately. SFAs and other Program operators should direct any questions concerning this guidance to their State agency. State agencies with questions should contact the appropriate FNS Regional Office.

**Original Signed**

Angela Kline

Director

Policy and Program Development Division

Child Nutrition Programs

Attachment

## PLE Exemption – Factors for Consideration

Below are factors State agencies must consider when evaluating school food authority (SFA) requests for an exemption from the Paid Lunch Equity requirement. State agencies must use these questions as a guide when assessing whether there are necessary or appropriate uses for funds which would otherwise contribute to an excess operational balance to address deficiencies in Program operations and meet new Program requirements. Additionally, the State agency must review other aspects of Program operation with the SFA to assess whether overall Program quality is high enough to justify an exemption. The list is not intended to be exhaustive; State agencies may assess other relevant aspects of Program operation at their discretion. State agencies should consider the totality of an SFA's responses and overall Program operation when granting exemptions.

At a minimum, the following questions must be answered in the affirmative.

### **Meal Standards**

Is the SFA certified as meeting the updated meal pattern requirements?

Is the SFA financially prepared to meet future meal pattern requirements (e.g., future sodium targets)?

### **Smart Snacks in Schools**

Is the SFA meeting all Smart Snacks in Schools standards for items sold from the school food service account?

### **Administrative Reviews**

Has the SFA corrected all deficiencies, implemented all corrective actions and complied with any fiscal action identified in the most recent Administrative Review Report?

## **Additional Considerations**

The State agency should also consider the questions below to determine whether overall Program quality is high enough to warrant approving the exemption request.

### **Meal Service and Participation**

Are there simple menu improvements that could be made that would encourage students to select healthier meals and make the Program more appealing? For example, has the SFA considered expanding offerings of fresh fruit and vegetables, and/or expanded variety of fruit and vegetables? Does the SFA use salad bars?

Is student acceptance/participation strong? Has the SFA made efforts to engage students in meal planning, taste-testing, etc.?

Has the SFA established and implemented a wellness policy with the required elements?

Does the SFA comply with all requirements and follow best practices with regard to preventing overt identification?

Does the SFA utilize adequate signage, food placement, and other marketing techniques effectively to promote the selection of reimbursable meals?

**Resource Management**

Would an increase in the SFA's paid lunch price result in the SFA accruing more than three months' worth of operating expenses in its nonprofit school food service account?

Has the SFA previously met all Paid Lunch Equity requirements?

If applicable, is the SFA currently meeting all non-program food revenue requirements?

**Professional Support**

Does the SFA have all child nutrition staff vacancies filled? (If vacancies are primarily due to lack of funding, rather than other factors, an exemption should typically **not** be approved, since the funds that would be provided to the SFA through the PLE requirement could be used to fund staff.)

**Cafeteria and Kitchen Equipment**

Does the SFA have necessary cafeteria and kitchen equipment for storing, preparing, and serving healthy meals and competitive foods?

If the SFA has applied for Federal grants to purchase equipment needed to serve healthier meals but has not received funding, did the SFA use its own funds to accomplish the proposed activities?

**Free/Reduced Price Eligibility Determinations**

Has the SFA done everything within its ability to improve the certification process to increase access to the program (e.g., maximize use of direct certification including homeless, runaway, migrant and foster children, etc.)?