

Report to Congress
Review of Local Policies on Meal Charges and Provision of Alternate Meals
June 2016

Section 143 of the Healthy, Hunger-Free Kids Act of 2010 (HHFKA) (Public Law 111-296; December 13, 2010) requires that the U.S. Department of Agriculture (USDA) examine and report on the current policies and practices of State agencies and local educational agencies (LEAs) regarding extending credit to children to cover the cost of reimbursable school meals and providing assistance to children who are without funds for an alternate meal. Section 143 also requires that USDA report on the feasibility of establishing national standards for meal charges and alternate meals and make recommendations for implementing those standards.

Program Overview and Issue Background

Schools that participate in the National School Lunch Program and/or School Breakfast Program offer all students nutritious meals that are reimbursed by USDA at different rates, depending on the student's eligibility status. Students may receive meals at no cost to them if they are categorically eligible for free meals (for example, their family receives benefits from the Supplemental Nutrition Assistance Program or the student is homeless or in foster care) or if the family submits an application or is directly certified with data from another means-tested program that indicates their income is at or below 130 percent of the applicable family size income level in the nonfarm income poverty guidelines from the Office of Management and Budget. Students in families with income at or below 185 percent of that poverty guideline may be approved to purchase meals at a reduced cost (no more than 40 cents for lunches and 30 cents for breakfasts). Other students may purchase meals at the price established by the school district and in accordance with the paid lunch equity requirements in Section 12(p) of the Richard B. Russell National School Lunch Act 9 (42 U.S.C. 1760(p)).

LEAs have discretion to decide how to address situations where payment is required but students do not have adequate funds on the day of service. This situation primarily affects students who are not eligible for free or reduced-price meals, i.e., those required to pay "full price" for their meals. However, students eligible for reduced-price meals also may not have adequate funds, and even students who are eligible but not yet certified for free meals may incur charges prior to their eligibility determination being completed.

USDA recognizes that meal charge policies and delinquent accounts are important issues for LEAs, schools, students, and their families. It is very difficult for school food professionals when a hungry child shows up in the cafeteria without the funds needed to pay for a meal. In general, school food professionals nationwide have done an exceptional job balancing the importance of providing children with nutritious meals and maintaining the financial viability of their school meal programs. Nevertheless, unpaid meal charges can create challenges for schools that rely on student payments, in addition to Federal reimbursements, to provide healthy and appealing meals to all students. When families are unwilling or unable to repay recurring meal charges or to apply for free or reduced price meals, schools may need to take action to maintain the financial solvency of their programs.

In order to avoid situations where students do not have cash to purchase meals, many LEAs have established online systems that enable parents to pre-pay for school meals, check balances, and add funds when balances are low. Even with multiple payment options, however, some students may not have cash or may have insufficient funds in their account to purchase a meal. LEAs recognize that students need nourishment in order to learn and may allow them to charge the meal or provide them with an alternate meal.

When students are permitted to charge a meal, they may incur debts that could be difficult for the LEA to collect, thereby affecting the financial viability of the school meal program. Alternate meals usually involve allowing selections of lower cost items, such as a sandwich entrée and unflavored milk. However, these methods may inadvertently embarrass students if charging or receiving an alternate meal is apparent to other students and staff. While LEAs strive to avoid any embarrassment, it may be unavoidable, particularly if the student already selected a meal that then needs to be returned because the student cannot pay. It is clear that establishing a policy that allows the LEA to address its own financial needs as well as the needs of the students can be a challenge.

Study Findings

The first Special Nutrition Program Operations Study (SN-OPS), a USDA-led, multi-year, nationally representative study of current school meal program policies and practices, was designed to provide a baseline for observing improvements resulting from HHFKA implementation. To obtain an overview of the current status of meal charge policies, USDA included questions about State and local practices. The study, conducted during school year 2011–2012, found that 58 percent of LEAs incurred unpaid meal costs during school year 2010–2011. Over 93 percent of these LEAs served a reimbursable school meal on credit or an alternate meal to children who were not certified for free meals, approved for free or reduced price meals, and were unable to pay for a meal. Nearly all LEAs that incurred unpaid meal costs took action to recover the costs, most often by billing the families.

The study also found that nearly 65 percent of State agencies had not established policies or standard practices regarding the service of meals to students without the funds to pay. Only 15 percent of States had such a policy, and an additional 20 percent had a standard practice in place. Of the States with policies or standard practices, the majority indicated that they allowed individual LEAs to determine whether and how to provide a meal to students unable to pay based on local conditions.

In terms of financial impact, for the LEAs that reported lost revenues as a result of unpaid meals, the average net revenue lost after recovery attempts was less than 1 percent of total expenditures for the year. However, some larger LEAs reported significant debts, indicating that the extent of the issue and the type of policy needed to address it varies. Overall, the study determined that lost revenue from unpaid meals did not appear to have a meaningful impact on the ability of the LEAs in the study to operate at the break-even level. Additional information on this study is available at <http://www.fns.usda.gov/sites/default/files/SNOPSYear1.pdf>. The information in SN-OPS provided USDA with a starting point for this report. Because the scope of the research on unpaid meal charges was limited, however, USDA determined that additional input was needed to help inform any recommendation on the feasibility of establishing a national standard for meal charges and alternate meals and to develop further guidance.

Soliciting Comments

To address the Congressional mandate and to solicit input from a broad spectrum of parties who may be affected by this issue, USDA published a Request for Information (RFI) Notice entitled Unpaid Meal Charges in the Federal Register on October 16, 2014. The RFI may be found at: <http://www.gpo.gov/fdsys/pkg/FR-2014-10-16/pdf/2014-24575.pdf>.

The RFI included 17 questions that commenters were asked to address and incorporated areas suggested by the Office of Management and Budget and the USDA Office of the General Counsel. In addition, commenters representing a school or school district were asked to include their written policies or to provide links to Web sites used to provide this information to families. The questions in the RFI were designed to solicit information to assist USDA in understanding how program operators, school district officials, parents, and students are affected by a variety of issues related to unpaid meal charges. Questions sought to determine the following:

- Which officials in the school district were responsible for relevant policies;
- Whether there were grade-level differences for charge or alternate meal procedures;
- How overt identification of eligibility status or lack of funds was minimized;
- How families were notified of the policy and of low or negative balances;
- Whether the school food service received any outside funds to reduce outstanding debt; and
- How meal charge debt affected schools' operating budgets.

The comment period closed on January 14, 2015. Of the 462 comments submitted, over 90 percent were from LEAs and schools. In addition, comments were submitted by national and State-level advocacy groups, including the School Nutrition Association, the Food Research and Action Center, the Center for Budget and Policy Priorities, and the National Federation of Teachers. Some parents and guardians also expressed concerns about schools taking meals away from their children due to lack of funds. The full text of the comments may be viewed at <http://www.regulations.gov/#!home> under FR Doc. 2014-24575.

Comment Summary

Policies and Procedures

Eighty-seven percent of the comments received on behalf of LEAs and schools indicated that policies or procedures were in place for handling unpaid meal charges. The policies ranged from not allowing meals to be charged at all to allowing unlimited charges. However, many LEAs described a balanced approach that limited the number or amount of charges allowed. In addition, a number of LEAs reported different charge and alternate meal policies depending on the grade level. These varied policies usually allowed more charging and extended availability of alternate meals for younger children (elementary level) and less for older children (middle and high school level).

In some cases, the policies did not allow charging or providing alternate meals to older students under any circumstances. For example, one comment from an LEA indicated that the district allows elementary school students to charge 10 meals and middle school students to charge 2 meals. Once the limit is reached, students are not permitted to charge additional meals until full or partial repayment is made to cover the charged meals. However, high school students are not permitted to charge any meals. The rationale for a variable policy is that older students are more aware of their account balance and can request money from their parent or guardian when the balance is low.

Most schools and LEAs indicated that school and district officials (for example, principals, business officials, superintendents, and board members) were involved in developing policies related to unpaid meal charges and many indicated that their local school boards must approve “official” policies. However, some commenters acknowledged that the established policy was not always enforced by principals or district officials even when they approved the policy prior to implementation. Other commenters expressed concern that the policy was not communicated to school food professionals or families, leading to confusion and frustration when the policy was carried out.

Alternate Meals

LEAs recognized that students need nourishment in order to learn. Fifty-nine percent of the commenters indicated that LEAs and schools that limited charges also offered alternate meals once the limit on charging reimbursable meals was reached. The most common alternate lunch was unflavored milk, a cheese or peanut butter and jelly sandwich, and a fruit or vegetable. These lunches were usually offered without charging the student or claiming the meal for reimbursement, and the food service account absorbed the cost. In addition, those LEAs that offered alternate meals established protocols about when alternate meals would be available, how long they would be provided, and whether meals would be provided at no charge to the student.

Stigmatization

Stigmatization relating to eligibility status and unpaid meal charges was a major concern of the advocacy group commenters and many school food professionals. Some commenters suggested that expanding use of the special provisions offered under the National School Lunch Act, especially the Community Eligibility Provision, can avoid the issue of unpaid meal charges altogether and avoid embarrassment of students. Commenters representing LEAs provided insight into the methods they use to avoid identifying students unable to pay for a meal.

Examples included:

- Informing students (or teachers for younger children) of their account balance prior to the meal service;
- Allowing students to contact a parent or guardian to provide funds for that day;
- Directing students to the principal’s office to pick up an alternate meal in a brown bag so it appears that the student brought lunch from home;
- If providing an alternate meal in the cafeteria, reminding students not to select a reimbursable meal to avoid having their meal taken away at the cashier station; and
- Discretely informing students, particularly older students, of low balances at the point of service in order to avoid the need for charging meals.

Commenters representing LEAs expressed concern about the lack of parental initiative to ensure that their children had sufficient funds to purchase their school meals so that the student is not embarrassed or goes hungry. They indicated that in spite of numerous reminders about low or negative balances, along with encouragement to consider applying for free or reduced price meal benefits, parents often did not replenish their children’s account or contact the LEA to seek assistance with submitting an application.

Financial Considerations

LEAs also expressed concern regarding the financial considerations relating to unpaid meals. To continue providing students with school meals that are both nutritionally sound and appealing, LEAs need to be assured that adequate funding is available to meet these goals. For many schools, student payments, especially for paid reimbursable meals, which are currently reimbursed by USDA at \$.29 for each breakfast and lunch¹ claimed, are an essential part of the overall food service budget. Because the bulk of support for paid meals comes from the students' payments, it is essential that LEAs are able to ensure that this funding is reliable.

LEAs noted that collection efforts, both in food service and administrative staff time, represent an additional cost. Contacting families through letters, automated phone calls, text messages, and emails to request payment of unpaid charges or to encourage submission of an application for free or reduced price meals is time-consuming and affects staff ability to perform other duties. In egregious situations, some LEAs use collection agencies to recoup delinquent debt.

Commenters noted that costs associated with these collection efforts, which are in addition to the underlying unpaid meal charges, represent an added financial burden for the school food service.

USDA Actions

As noted above, HHFKA directed USDA to consider if national policy on meal charges should be instituted. The Special Nutrition Program Operations Study indicated that most policies related to this issue were developed at the local, rather than State, level. Additionally, most comments received through the RFI did not indicate a preference regarding establishment of a national policy. Of those that did address this issue, commenters representing an LEA or school preferred maintaining local policies, while advocacy groups preferred a national policy. Given that student payments constitute local revenue and economic conditions vary widely by community, meal pricing and charge policies have traditionally been developed at the local level. Additionally, recent expansion of the Community Eligibility Provision may have a positive impact on the significance of unpaid meal charges on a national level. Therefore, USDA believes the appropriate actions on this issue include clarifying and updating policy guidance on specific national policies impacting unpaid meal charges and facilitating the development and distribution of best practices to support decision making by States and localities.

USDA has already addressed some issues relating to unpaid meal charges. In February 2014, Under Secretary Kevin Concannon sent a letter to the Chief State School Officers discussing ways that schools could alleviate stigma when students do not have money to purchase their school meal. Ensuring that parents are aware that they can apply for free or reduced price meals at any time and assisting those families with the application process may prevent the need for charging meals. Under Secretary Concannon also encouraged LEAs to consider a more robust notification system to inform parents of low account balances in order to avoid charges.

USDA also addressed in guidance, debt accumulated by students who later become eligible for free or reduced price meals but who may be charging meals prior to the date eligibility is established. Since December 2013, LEAs have had the option of providing free meals from the date the application was submitted instead of the date the application is approved by the LEA. In June 2014, this flexibility was extended to students who were determined eligible through

¹ Schools certified to be in compliance with the updated meal requirements currently receive an additional six cents of Federal reimbursement for each lunch claimed.

information provided directly from an assistance program, such as the Supplemental Nutrition Assistance Program, or from an official with other programs for students who may be homeless or migratory.²

USDA is currently working to update and clarify additional existing Federal requirements and policies to provide program administrators at both the State and local levels with comprehensive guidance that reflects current statutory and regulatory requirements. This guidance will address issues such as:

- Accounting for unpaid meal charges in the school food service account;
- Allowable expenses related to collection of unpaid meal charges; and
- Claiming alternate meals for reimbursement.

In addition, USDA will continue to seek additional, grass-roots input by inviting State educational agency staff and local food service professionals to share best practices on issues such as:

- Who should be included in developing the policy in order to better ensure “buy-in” from the school board, superintendent, principal, parents, etc.?
- What are effective strategies to inform parents of low balances in order to avoid unpaid meal charges and to obtain repayment?
- How can food service professionals avoid embarrassing students when meals are denied or alternate lunches are provided?
- How can the school district and the community assist families who, for example, may accrue charges while waiting for approval for meal benefits?

As part of this effort, two national webinars were held in February 2016 to solicit best practices. Local-level officials were encouraged to share their methods, their successes, and failures with their peers as their experience is an invaluable asset to other LEA administrators. These webinars attracted more than 1,500 participants and generated hundreds of comments and suggestions. Additionally, on March 9, 2016, USDA brought together a number of professional associations and advocacy groups for a national roundtable. Attendees discussed the issues surrounding unpaid meals and offered suggested solutions and best practices. Based on this feedback, USDA will develop and distribute, through the website and additional national presentations and webinars, best practices for creating and implementing effective local policies to address the issue of unpaid meal charges.

USDA recognizes the importance of assessing the issues related to charging school meals and the consequences for both students and their families and LEAs. We are committed to issuing the various resources discussed in the Report and will continue to work with all of our stakeholders to enhance access to school meals for all of our Nation’s schoolchildren.

² These policy memoranda may be viewed at:
http://www.fns.usda.gov/sites/default/files/SP11_CACFP06_SFSP11-2014os.pdf and
<http://www.fns.usda.gov/sites/default/files/cn/SP51-2014os.pdf>, respectively.