



CHILD NUTRITION PROGRAM ALABAMA STATE DEPARTMENT OF EDUCATION Provision 2 Summary



What is Provision 2?

How do we implement the program in our district?

Deadlines highlighted.

Provision 2: Duration of 4 years

Year 1 referred to as Base Year

Year 2, 3 referred to as Non-Base Year

Year 4 referred to as Non-Base and Final Year unless applying for an extension

Provision 2 – Is it right for your school district?

- If a school district switches to Provision 2, will the Child Nutrition Program and the School District do well financially?
 - What are the financial effects?
 - No longer receives payment from households who would normally be paying the reduced price and full price for meals.
 - Must make up the difference between *Federal reimbursement and meal costs* from a source other than federal funds.
 - Must evaluate whether the savings in administrative costs associated with reducing application burdens and simplifying meal counting and claiming procedures under Provision 2 offset the costs of providing meals to all children at no charge.
 - **The State Agency strongly recommends that a district have 2 ½ months operating balance before considering Provision 2.**
 - What are meal costs and are the costs within the recommended State Standards?
 - Food Costs (State Standards 30-34%)
 - Labor Costs (State Standards 42-46%)
 - 16-19 MPLH (Meals Per Labor Hour)
 - Utility Costs
 - Supply Costs
 - Maintenance Costs
 - Indirect Costs
- Other factors to consider if switching to Provision 2:
 - Current Participation
 - How much revenue will be lost from loss of paid and reduced income?
 - What will be the cost if paid or reduced price participation increases?
 - Potential for increased participation

- How much revenue will be gained from increased participation?
- Tracking participation by school site
 - Does it make financial sense to implement district-wide for both breakfast and lunch, district-wide for breakfast only, in select school sites for breakfast and lunch or in select school sites for breakfast only?



Provision 2 – Preparation

Begin the school year before the Base Year.

Steps should include:

1. Submit a letter to the Angelice Lowe, State Coordinator, by April 30^h, requesting to be considered for operating Provision 2 to include the following:
 - A statement indicating why the school administration believes that Provision 2 is in the best interest of the school and students.
 - Include a plan on how the district plans to compensate and support the program's lost student revenue through increased participation, ala carte, general fund transfers, or other revenue sources.
2. Prior to approval, the State Agency will conduct a **feasibility** study.
 - A financial analysis will be used to project any revenue shortfall and determine any participation increase.
 - **CNP Federal funds cannot subsidize the reduced or full paying payments that will not be collected under Provision 2.**
 - Must evaluate whether the savings in administrative costs associated with reducing application burdens and simplifying meal counting and claiming procedures under Provision 2 offset the costs of providing meals to all children at no charge.
 - Basic Formula for Feasibility Study – Federal reimbursable payments received each month are **Equal to or Greater Than** Meal costs each month.
3. Approval or Denial letter will be sent to Superintendent and CNP Director based on onsite and financial analysis.
4. If approved, the State Agency will send the Child Nutrition Program Director a spreadsheet to use in calculating the non-base year percentages for claims.

5. Be sure that the school district has received a copy of the Provision 2 Policy Statement Amendment signed by the State Coordinator. This document is the approval to begin the Base Year on Provision 2 and must be retained in a permanent file on location in the district, as long as the district remains on Provision 2.
 - Build support for Provision 2 in the community and in the school district. **It is very important to have the support of every district board member, administrator, counselor, principal and teacher for Provision 2 to succeed.**
6. Establish a method for distribution and collection of Applications for Free and Reduced-Price Meals that will result in the collection of 100% of the applications from households in the school district. **Note: This is the most vital step in establishing Base Year Data for Provision 2. Any application distributed to a household that is not returned will cause that student to be claimed as eligible for paid meals for as long as the school district remains on Provision 2.**
 - Create a media campaign to secure applications and encourage participation by linking nutrition to learning.
7. Examine ways to increase food service revenue while on Provision 2: A la carte sales, breakfast promotions, vended meals, catering, etc.



Provision 2 – Year 1 - Base Year

- All school districts must use Delayed Implementation to ensure that the school district receives applications from all households.
- When using delayed implementation of Provision 2, the school district would distribute applications, use direct certification and use the Media Release and Letter to Parents for Non-Provision 2 districts. The delay period cannot exceed the first claiming period of the base year. Delayed implementation permits Provision 2 schools to charge participating students for reduced price and paid meals in the first claiming period of the base year. This assists districts in securing completed free and reduced price meal applications from households, which might not otherwise submit an application if there is no charge for meals. The Provision 2 Media Release and Letter to Parents must be sent out at the end of the first claiming period. (Refer to FAQs and Instructions for Delayed Implementation Option located at the back of the guide.)
- Distribute Letters of Predetermined Eligibility to Direct Certification students and applications to all other households. Collect any applicable Head Start or Even Start List of Eligible Students, Migrant and Homeless Lists from the LEAs Homeless Liaison and retain in the school district permanent file, as long as the district remains on Provision 2.
- Collect applications, make eligibility determinations, and retain in the school district permanent file, as long as the district remains on Provision 2 PLUS 3 years.
- Participation must remain high every month during the base year. It might be helpful to compare the participation in the base year to the same month in the previous year to identify trends. This would enable the Child Nutrition Program to make any necessary changes to prevent low participation throughout the base year.

- Only one breakfast and one lunch per student may be claimed for federal reimbursement. Any student getting a second meal or additional servings to the reimbursable meal will be required to pay for food as ala carte.
- Provision 2 enables the school district to provide all meals at **no charge** to all students (**do not refer to the meals as free because of the misconception of receiving the free rate of reimbursement**). Meals are required to be served at the point of service by meal category and student eligibility. This will be done all year to establish percentages for non-base year's claims. Meals are counted based upon eligibility established by each student's household application, just as in previous years, by campus.
- School Districts with meal counting and claiming problems cannot use the year in question as a base year for Provision 2.
- Applications are to be turned in for as many students as possible. If any applications are missing, those students will be classified as paid students in the percentage calculation.



Financial impact if a free or reduced student does not turn in an application and is classified as a paid student according to **Reimbursement Rates:**

Example of Financial Impact:

1. Difference in Free Meal and Paid Meal Reimbursement
 - 1 Meal reimbursed at the Free rate = 7-10 Meals reimbursed at the Paid Rate depending on which category you fall into and the 7 cents certification.
 2. Difference in Reduced Meal and Paid Meal Reimbursement
 - 1 Meal reimbursed at the Reduced rate = 6-9 Meals reimbursed at the Paid Rate depending on which category you fall into and the 7 cents certification.
- Application campaigns in the media and district-wide should be carried out prior to the beginning of the school year and throughout the entire month of September.
 - Verification of applications must be completed by **November 15** and Verification Workbook submitted to SDE per USDA regulations by the beginning of March.
 - The claim percentage spreadsheet that the auditor sends the district before the base year must be completed to establish a percentage for each category of students (free, reduced-price and paid) for each campus, for each month, for the National School Lunch Program and the School Breakfast Program. This form must be completed each month and retained in the school district permanent file before the claim for reimbursement is submitted to SDE Accounting.
 - Claiming percentages represent the ratio of each meal category (free, reduced, or paid) to the total reimbursable lunches and/or breakfasts served. Each claiming percentage is applied to the total lunch and/or breakfast count for the claiming period during the non-base years.

- The lunch percentage is derived by dividing the monthly total number of **reimbursable free, reduced, or paid lunches** served by the **total number of reimbursable lunches served** (free, reduced, and paid lunches totaled) in the same month.

Example of the Percentage Calculation:

- ***Total number of free lunches / Total number of lunches served = Free lunch percentage***
 - August Free % from base year: 75 free lunches / 100 lunches served = 75% Free
- ***Total number of reduced lunches / Total number of lunches served = Reduced lunch percentage***
 - August Reduced % from base year: 20 reduced lunches / 100 lunches served = 20% Reduced
- ***Total number of paid lunches / Total number of lunches served = Paid lunch percentage***
 - August Paid % from base year: 5 paid lunches / 100 lunches served = 5% Paid
- During the Base Year, an Administrative Review of the program will be conducted in the school district by the State Agency auditors to determine if the school district will be allowed to continue Provision 2. If the State Agency determines that the district has not maintained the required base year records, the State Agency auditors could recommend to the State Coordinator that the school return to standard application and meal counting procedures. One hundred percent compliance with the Administrative Review is required.
- After completion of the Base Year, send the completed Base Year Percentage Calculation Form to the State Agency before June 15. Receipt of the Percentage Calculation Form and approval by the State Coordinator is the final approval necessary to allow a school district to continue Provision 2. This document will serve as the basis for future years' reimbursement claims and must be retained in the school district's permanent file if the district remains on Provision 2 PLUS 3 years.

Public Notification Instructions

1. At the beginning of the school year, you must follow the standard public notification requirements for the period of time the school is not under Provision 2.
 - A. Provision 2- Media Release 1 for Base Delayed Implementation
 - B. Provision 2- Letter 1 to parents Base Delayed Implementation
2. At or about the start of Provision 2 implementation (which must occur at the close of the first claiming period or sooner), schools must promptly notify the public and households of the availability of Provision 2 benefits.
 - A. Provision 2- Media Release 2 for Base Delayed Implementation
 - B. Provision 2- Letter 2 to parents Base Delayed Implementation



Base Year Records Include

- (The district must keep on file if the district remains on Provision 2 PLUS 4 years unless an audit is open. If an audit is open, the district must keep all records until audit is closed):

1. All approved and denied free and reduced-price applications
2. Public notification documents including media releases and parent/guardian letters
3. Benefits issuance documents
4. Student transfer records
5. Direct certification data
6. Changes in eligibility status because of verification and other reasons
7. Daily meal counts, by type
8. Calculation of claiming percentages
9. Attendance areas of each school participating in Provision 2
10. The socioeconomic data that will be used as the base year data if an extension is granted
11. Any extension authorizations from the State agency
12. Edit check and on-site review documentation
13. Verification records
14. Claims for Reimbursement
15. Any other documents pertaining to the operation of your NSLP

Provision 2 – Years 2, 3 and 4 – Non-Base Years

- Before the start of each school year, the Provision 2 Media Release for the Non-Base year must be distributed to the local newspaper for posting and the Letter to Parents for the Non-Base year needs to be mailed.
- All students are fed at no charge. No applications are distributed, no eligibility determinations are made, and no verification is conducted.
- For edit check purposes or internal controls regarding the school district Claim for Reimbursement, school districts should adjust the number of students eligible for free, reduced-price, and paid meals on a month-to-month basis.
- If the school district changes any of the procedures for counting reimbursable meals at the serving line, the district must amend the online application regarding collection procedures.
- USDA's School Meals Initiative requires all districts to serve meals within a weekly average of equal to or less than 30% total fat and 10% saturated fat.
- Only Student REIMBURSEABLE meals taken at the point of service may be counted towards total lunches served.
- What is a Student REIMBURSEABLE meal?
 - Breakfast



- Must have at least 3 of the 4 meal components
 - Only 1st meal can be counted as reimbursable
 - 2nd meal or additional portions will be charged as ala carte
 - Lunch
 - Must have at least 3 of the 5 meal components
 - Only 1st meal can be counted as reimbursable
 - 2nd meal or additional portions will be charged as ala carte
 - What meals are NOT reimbursable?
 - ADULT Meals
 - ALA CARTE Sales
 - Additional Portions
 - SECOND Meals
 - Pregame Meals
 - Catered / Contract Meals
- Schools continue to use their current system of meal counting. Preferably, a computerized point of sale system will be used to identify students. This will help prevent claiming second meals for reimbursement.
- How are the meals counted and claimed for reimbursement?
 - At the end of the month, the daily meal counts for each Provision 2 school are totaled by the program (NSLP/SBP).
 - The meal count totals are then prorated into categories; free, reduced price or paid by applying the base year percentages.
 - After allocating meals to the proper category, the meal counts are put into the site data page of the online application according to each site. When the site data page has been approved, the claim for reimbursement can be submitted online.
- What is the Child Nutrition Program claims review process for non-base years?
 - First, determine the enrollment with access to the lunch program by taking the school's highest daily number of students enrolled during the month.
 - Apply the attendance factor to determine the average daily attendance.
 - Each day's total student meal count is compared to the attendance-adjusted enrollment.
 - If it shows more total meals are claimed than attendance-adjusted enrollment, you need to follow-up with the school to determine the cause prior to submitting the monthly Claim for Reimbursement.
- Calculating Daily Edit Checks example:
 - ✓ Enrollment Number X Attendance Factor = Attendance Adjusted Daily Enrollment
 - ✓ 1500 students with access to lunch program x 95% = 1425
 - ✓ 1425 Students who could be claimed for the day

- Comparing Daily Edit Checks example:
 - ✓ Attendance-Adjusted Daily Enrollment
Compared to Total Daily Meal Count
 - ✓ 1425 (Attendance-Adjusted Daily Enrollment)
Compared to 1200 (Total Daily Meal Count)

Important: Attendance-Adjusted Daily Enrollment must be Greater Than or Equal to Total Daily Meal Count!

- The Child Nutrition Program must monitor participation every month of every year while on Provision 2 and make changes where necessary to maintain or increase participation and efficiency. Some factors to be monitored:
 - Operational efficiency – Revenue vs. Expenditures
 - Customer service
 - School and community support

Non-Base Year Records Include (The district must keep on file as long as the district remains on Provision 2 PLUS 4 years unless an audit is open. If an audit is open, the district must keep all records until audit is closed):



- Total daily meal counts of reimbursable meals
- Edit check and on-site review documentation
- Reimbursement claims
- Enrollment Data

Provision2 – Extension

- During the fourth year of Provision 2, the school district will be notified by the State Agency before April 15 that the four-year cycle of Provision 2 will expire at the end of the school year.
- School district must submit a request for an extension of Provision 2 by April 30.
- The school district has two options:
 - Return to standard meal counting and claiming procedures
 - OR
 - Establish a new Provision 2 **standard** base year
 - USDA offers another method called streamline base year but currently the State of Alabama does not offer this option.
- Establishing a new Provision 2 **standard** base year:
 - Amend your policy statement
 - Provide a public notice and parent letter
 - Collect and approve applications
 - Direct Certification
 - Conduct Verification
 - Count reimbursable meals at point of service by category to establish new claiming percentages
 - All meals must be served at no charge to participating students

Reasons that the SFA will have to return to standard eligibility determination and meal counting procedures:

- ✓ The school or school food authority has not correctly implemented the program
- ✓ Meal quality has declined because of the implementation of the provision
- ✓ Participation in the program has declined over time
- ✓ Eligibility determinations or the verification procedures were incorrectly conducted
- ✓ Meal counts were incorrectly taken or incorrectly applied

Requirements for returning to standard eligibility determination and meal counting procedures:

- ✓ School officials must notify the public that the school is returning to standard practice with a media release and letter to the parents.
- ✓ Send out free and reduced-price meal applications to all households.
- ✓ Conduct direct certification.
- ✓ Students must continue to receive meals at no charge for at least 30 operating days.
- ✓ The schools will begin charging for meals and claiming reimbursement based on eligibility as determined by new applications submitted by the households.
- ✓ Any household that fails to apply for free and reduced-price meal benefits for their children, or who are not directly certified, must pay the full price of the meal.

Nutrition = Learning

FAQs and Instructions for Delayed Implementation Option

- What is delayed implementation?
 - The state agency may allow a school to delay implementing Provision 2 for a period not to exceed the first claiming period of the base year.
 - Delayed implementation permits Provision 2 schools to charge participating students for reduced price and paid meals in the first claiming period of the base year to assist in securing completed applications from households which might not otherwise submit an application if there is no charge for meals.
 - If you wish to elect the Delayed Implementation Option, you must submit a request to ALSDE by June 30.
- Can we carry over last year's eligibility during the delayed implementation period?
 - No.
- What is considered the first claiming period?
 - Regulations allow that if the first or last month of Program operations for any school year contains 10 operating days or less, such month may be combined with the Claim for Reimbursement for the adjacent month. As an example, if a Provision 2 school starts mid-August with 8 operating days and there are 15 operating days in September, these two months could be considered the first claiming period (for a total of 23 operating days). But if there were 11 operating days in August, the district could only be approved for delayed implementation for the month of August, 11 operating days.