Best Practices for Staying in the Black

July 11, 2017
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Food and Nutrition Service
USDA
Agenda

- Unpaid Meal Charges
- Procurement
- Group Purchasing
Reminder: Local Charge Policy Requirement

• All SFAs operating the NSLP and/or SBP must develop a local meal charge policy
• Must be in place by July 1, 2017*
• Local discretion

*SY 2017-2018
Managing Meal Charge Debt
Extent of the Issue: School Year 2011-2012 Study

- 58% of SFAs incurred unpaid meal costs
- 99% of SFAs took some action to recover costs
- 14% of SFAs recovered all lost revenues
  - On average, SFAs recovered 31% of lost revenues

Lost revenues amounted to no more than 1% of annual expenditures for 89% of SFAs
Delinquent Debt

• Meal charges are considered delinquent debt when payment is overdue as defined by State or local policies

• SFAs must make reasonable efforts to collect delinquent debt
  • These costs are an allowable use of food service funds
Bad Debt

• Meal charges are considered bad debt when they are determined to be uncollectable
  • Must be written off as an operating loss; may not be absorbed by the food service account
• Food service funds may not be used to cover costs related to the bad debt, such as continued legal and collection costs
Losses from Bad Debt

• Must be restored using non-Federal funds, such as:
  • The school district’s general fund
  • Special funding from State or local governments
  • Any other non-Federal sources
Establish a Debt Policy

- Ensure children with meal charges are not eligible for free meal benefits
- Focus on the adults responsible for providing funds
- Consider whether the benefits of potential collections outweigh the costs

**Recommended Topics for Delinquent/Bad Debt Policies for SFAs**

As provided in SP 46-2016, no later than July 1, 2017, all SFAs operating the Federal school meal programs are required to have in place a written meal charge policy. Within that required policy, FNS recommends SFAs explain the collection methods the SFA will use and the conditions under which each will be initiated.

Specific topics recommended by FNS include the following:

1. How many days will a household’s debt be delinquent before the SFA requests payment?  
   Number of Days: ______

2. What procedures are in place for determining if children with delinquent meal charges are eligible for free or reduced price meal benefits?  
   Provide examples (i.e., encouraging the child’s household to submit an application):

3. How will households be notified of unpaid meal charges, expected payment dates, and collection efforts?  
   Describe household notification strategies:

4. How will repayment plans, with payment levels and due dates appropriate to a household’s particular circumstances, be established?  
   Describe establishment of repayment plans, including any key considerations (i.e., a job loss in the household):

5. Will children with a small number of charges, in terms of dollars, be permitted to accumulate a larger debt before the SFA pursues recovery?  
   □ Yes  □ No  
   If so, what is the threshold?

6. What efforts will be made to collect household debt?  
   Describe debt collection efforts:
Best Practices
Community Eligibility Provision (CEP)

- Allows eligible schools to offer school meals at no charge to all enrolled students
- Saves low-income schools time and money by streamlining administrative requirements

Use the “CEP Estimator” to determine if CEP is financially viable for your school!
Reach All Eligible Children

• Improve application outreach
• Provide mid-year applications
• Strengthen direct certification
• **SP 43-2016v2: Ensuring Access to Free and Reduced Price School Meals for Low-Income Students**
Provide Language Assistance

• Share USDA’s “I Speak” document
• Provide application translations
  • 49 translations are available on the USDA-FNS website
• Develop community partnerships
• **SP 37-2016: Meaningful Access for Persons with Limited English Proficiency in the School Meal Programs: Guidance and Q&As**
Provide Payment Options

- Provide on-line payment systems
- Encourage families to track their child’s spending
- Allow automatic deductions when balances are low
- Provide repayment plans
Provide Payment Reminders

- Email
- Telephone
- Automated
- In-person
- With other reminders
Find Alternative Funding Sources

- Community donations
  - Charities
  - Local businesses
- “Random Acts of Kindness Fund”
- End of year donations
Unpaid Meal Charges Website

• **Policy Guidance:**
  • SP 46-2016: Local Meal Charge Policies
  • SP 47-2016: Clarification on Delinquent Meal Payments
  • SP 23-2017: Guidance and Q&A

• **Best Practices:**
  • GUIDE: Overcoming the Unpaid Meal Challenge: Proven Strategies from Our Nation’s Schools
  • WEBINAR: The Challenge of Unpaid Meals: Proven Strategies from Our Nation’s Schools

Find these resources and more at: [https://www.fns.usda.gov/school-meals/unpaid-meal-charges](https://www.fns.usda.gov/school-meals/unpaid-meal-charges)
Procurement and Group Purchasing
Overview

This portion of the session will:

• Explain the Federal procurement standards in the Program and government-wide regulations and where to find these

• Provide an overview of SP 05-2017, dated October 19, 2016, Q&A: *Purchasing Goods and Services Using Cooperative Agreements, Agents, and Third-Party Services*

• Identify basic business concepts to get into the black and stay there
## Key Procurement Standards: NSLP and SBP

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<tbody>
<tr>
<td>7 CFR Parts 210.21(d) and 220.16(d)</td>
<td>7 CFR Parts 210.21(f), 220.16(e), and 250.53</td>
<td>7 CFR Part 210.21(g) and 220.16(f)</td>
<td>2 CFR 200.321 and in CACFP and SFSP</td>
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Government-Wide Procurement Standards, 2 CFR 200.318-326

- General Standards, 2 CFR 200.318
  - Code of Conduct
  - Written procurement procedures
  - Intergovernmental agreements
  - Consolidating/breaking-out procurements

- Competition, 2 CFR 200.319
  - Maximize full/open competition
  - Do not restrict competition

- Procurement Methods, 2 CFR 200.320
  - Micro-purchase method ($0-$3,500)
  - Small purchase procedures (below $150,000)
  - Sealed bids/Competitive Proposals (over $150,000)

- Small, Minority, Women’s Business Enterprises, 2 CFR 200.321
  - Bidder’s list
  - Solicit if potential source
  - Divide total requirements if economically feasible
  - Assistance from SBA

- Cost/Price Analysis, 2 CFR 200.323
  - Over $150,000, or most restrictive threshold

- Required Contract Provisions
  - See list in Appendix II to 2 CFR 200
Procurement Standards in Government-Wide Regulations

Appendix II to Part 200

a) Administrative/contractual/legal remedies - *Exceeds $150K*
b) Termination for cause and convenience - *Exceeds $10K*
c) Equal Employment Opportunity - *Construction contracts*
d) Davis-Bacon Act - *Exceeds $2,000 - Construction contracts*
e) Contract Work Hours/Safety Standards Act - *Exceeds $100K*
f) Rights to Inventions Made Under Contract
g) Clean Air Act - *Exceeds $150K*
h) Debarment and Suspension
i) Byrd Anti-Lobbying Amendment - *Exceeds $100K*
j) Recovered materials (See § 200.322)
# Group Purchasing Efforts

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<tr>
<th>Group Purchasing Efforts</th>
<th>Procurement Standards to Follow</th>
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<tr>
<td>Agent of a Program Operator</td>
<td>7 CFR 210.21 and 2 CFR 200.317-326</td>
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<td>Two-part test:</td>
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<tr>
<td>• SFA procures agent</td>
<td></td>
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<td>• Agent procures for SFA</td>
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<tr>
<td>Third-party entities <em>(one source of prices when competing)</em></td>
<td>What do they follow?</td>
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*To learn more, see: SP 05-2017, Q&A: Purchasing Goods and Services Using Cooperative Agreements, Agents, and Third-Party Services*
A proper procurement helps you get into the black and stay there!

Using math and accounting skills, you can **stay in the black**!
NET INCOME =

Total Revenues − TOTAL EXPENSES

(Net cash resources)
Calculating Revenues and Expenses

**Revenues**
- Federal (NSLP, SBP, FFVP, Snack, SFSP, CACFP)
- State
- Local (revenue from paid and reduced price student payments)

**Expenses** (all cost centers, and by cost account)
- Food
- Labor
- Supplies
- Equipment
- Other (indirect cost, employee benefits, sales tax, commodity distribution fees)

Are you calculating the % expense by cost center and cost account?
My Financial Story and Your Financial Story

- Are you operating in the **black** or in the **red**?
- Do you know why you’re operating in the **black** or **red**?
- Do you know how to make the transition from **red** to **black** and/or keep moving forward “**in the black**”? 
Questions?

Visit Our Website!

https://www.fns.usda.gov/
Professional Standards for This Session

- **Presentation Title:** Staying in the Black
- **Presentation Key Area:** Key Area 3 - Administration
- **Professional Standards Code:** 3320