



DISTRICT OF COLUMBIA

OFFICE OF THE STATE SUPERINTENDENT OF

EDUCATION

MEMORANDUM

To: School Food Authorities

From: Lindsey Palmer

Lindsey Palmer, RDN, LD
School Programs Manager

Date: November 6, 2015

Re: Nonprogram Foods Pricing Policies

School Food Authorities (SFAs) must follow the guidelines in 7 CFR 210.14 (f) for Nonprogram Foods sold in their food service program. Nonprogram Foods are foods and beverages sold in a participating school, other than reimbursable meals, and purchased using funds from the nonprofit food service account. The most common nonprogram foods include adult meals, a la carte items, extra entrees, extra milk, vending machines, and catering services provided by the food service program.

If you have any of these components you must ensure there is a sufficient mark-up on nonprogram food prices to ensure compliant with the nonprofit account requirements. The SFA should determine an adequate mark-up percentage to cover expenses involved in preparing and selling the nonprogram food, such as labor or supplies. Please see example (1) below for an example pricing method.

An SFA that serves nonprogram foods should annually complete and retain a copy of the *USDA Nonprogram Food Revenue Tool*. This tool will evaluate an SFA's nonprogram food pricing policies by calculating a nonprogram revenue ratio and a nonprogram food cost ratio. The Nonprogram Food Revenue Tool can be found on the USDA website. To be in compliance, the following must be true:

$$\frac{\text{Revenue ratio:}}{\frac{\text{Nonprogram Food Revenue}}{\text{Total program + nonprogram revenue}}} \geq \frac{\text{Food cost ratio:}}{\frac{\text{Nonprogram Food Costs}}{\text{Total program + nonprogram food costs}}}$$

In addition to pricing requirements, an SFA should track nonprogram food revenues and expenses separately from program transactions. Proper financial management practices include recording nonprogram food sales in separate revenue accounts in their general ledger. All nonprogram revenues must accrue only to the food service program and cannot be used to support other school operations.

If an SFA cannot separately record nonprogram food purchases from program food purchases, such as in the case of adult meals, the SFA must have an alternate method to calculate nonprogram food costs. Please see example (2) below for an acceptable calculation method.

SFAs that do not have sufficient pricing policies to be in compliance with the Nonprogram Food Revenue Tool must either raise nonprogram food prices or transfer sufficient non-federal funds to make up for the nonprogram food revenue deficiency. Federal funds cannot be used to support nonprogram foods.

Examples:

(1)

East Ridge School District sells a variety of a la carte items. The Food Service Director maintains a spreadsheet with a list of the a la carte items and the per-unit cost. He has determined it takes one of his employees approximately 15 minutes to prepare the a la carte items in each case (receive the shipment, store the items, and then stock the items for sale). The food service program has decided on a 30% mark-up to cover the labor, account for fluctuations in cost, and as an additional revenue generator for the program. The following is an example price calculation for a bag of chips:

\$34.98 for a 64ct case

$\$34.98 / 64 = \$.5466$ base cost x 1.3 mark-up = \$.7106

The Food Service Director chooses to round up to the nearest \$.25. For this bag of chips, the SFA will charge \$0.75. Items that require more time to prepare, such as cookie dough, will have a higher labor factor than ready-to-sell items.

(2)

Central High School had total food costs of \$100,000. They separately record adult meal revenues, but do not break out the food costs between reimbursable meals and adult meals. They recorded a total of 3,000 adult meals served in the previous school year, and a total of 37,000 student meals. The following is an example of how to calculate total adult meal food costs.

$\$100,000 / (3,000 + 37,000) = \2.50 per meal

$\$2.50 \times 3,000 = \$7,500$ nonprogram food costs (adult meals)

If Central High School can determine the food costs attributed to breakfasts, and the food costs attributed to lunches, they should separately calculate adult lunch costs and adult breakfast costs to get a more accurate calculation. Central determined that \$20,000 of their food costs were for breakfast and \$80,000 for lunches. Of the 3,000 adult meals served last year, 1,000 of those were breakfasts and 2,000 were lunches. Of the 37,000 student meals, 15,000 were breakfasts and 22,000 were lunches.

$\$20,000 / (1,000 + 15,000) = \$1.25 \text{ per breakfast}$
 $\$1.25 \times 1,000 = \$1,250 \text{ nonprogram food costs (adult breakfasts)}$

$\$80,000 / (2,000 + 22,000) = \3.33 per lunch
 $\$3.33 \times 2,000 = \$6,660 \text{ nonprogram food costs (adult lunches)}$

$\$1,250 + \$6,660 = \$7,910 \text{ Total Nonprogram Food Costs (adult meals)}$

All questions should be sent to your designated Program Specialist.