

Nonprogram Food Basics



Child & Adult Nutrition Services
South Dakota Department of Education

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Good day,

Today we are going to talk about nonprogram foods. We are going to discuss the rule, the calculation, common examples on nonprogram foods, and if time allows, how to identify food cost.

My name is Rob Ingalls – I will be providing instruction today, and will have Andrea Theilen serving as a co-presenter, assisting me with Zoom.

Agenda

- Nonprogram Foods Rule
- Examples of Nonprogram Foods
- Spend Down Plans/Allowable Costs
- Nonprogram Foods Revenue Tool
- Nonprogram Foods Reference Period Tool Walkthrough

Here is the agenda for today's call. If we have time, we will walk through a couple items with the Nonprogram Reference Period Tool, however, we do have another recorded video on this item, too.

Why the Nonprogram Foods rule is important?

- Program requirement
- Helps support a healthy food service account
- Program revenue (reimbursement) cannot support the cost of nonprogram foods



Don't sell your nonprogram food at a loss!

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First off, nonprogram food calculations are important because it is a program requirement. Also, this requirement helps support a healthy food service account. Additionally, program revenue cannot support the cost of nonprogram food items. We will talk more about this in a bit.

What is the Nonprogram Foods rule?

- 7 CFR 210.14(f)
- FNS Memos SP20-2016 and SP39-2011
- The percentage of nonprogram food costs compared to total food cost must be less than or equal to the percentage of nonprogram food revenues compared to total revenues
- This is calculated in the USDA Nonprogram Food Revenue Tool

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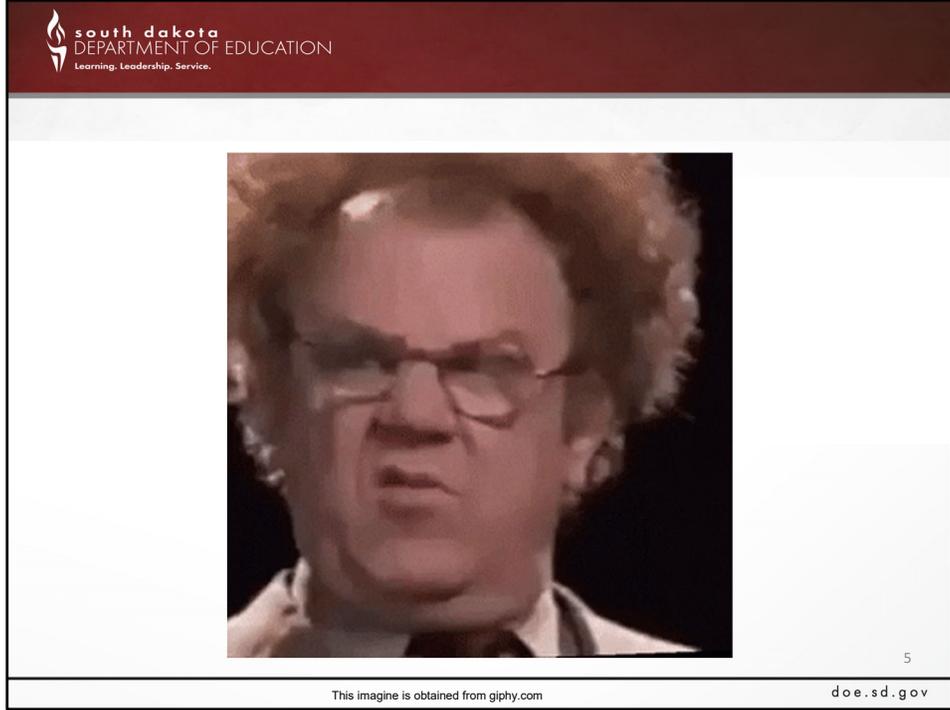
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So, what is the rule?

For those of you that want to see the actual rule as it is written, here it is.

The percentage of nonprogram food costs compared to total food cost must be less than or equal to the percentage of nonprogram food revenues compared to total revenues.

Super easy to understand, right?



If you are like me, you probably looked like this when I read the rule.

The nonprogram rule is somewhat challenging to follow, which is why I am appreciative of the calculation for ease of understanding, even if ever so slightly.

Nonprogram Food Calculation

Revenue Ratio:

$$\frac{\text{Nonprogram Food Revenue}}{\text{Total Program + Nonprogram Revenue}}$$



Food Cost Ratio:

$$\frac{\text{Nonprogram Food Cost}}{\text{Total Program Foods + Nonprogram Food Costs}}$$

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These are the actual ratios that are used in Nonprogram Food calculation for a program review.

As we can see, we are looking at a few different aspects of nonprogram costs and revenues, along with total program costs and revenues. We will get into this calculation in greater detail. This can still be a bit challenging to follow, just as it is written, however, the important thing to know is that this calculation is built into the Nonprogram Food Revenue Tool from USDA, and CANS also has resources that do the calculation for you.



What are Nonprogram Foods?

Any non-reimbursable foods and beverages **purchased** using money from the **nonprofit school food service account**

Common Examples:

- Adult meals
- A la carte foods; extra milks
- Purchased second entrees
- Catering or vending machines

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Here are some common examples of non-program foods. Keep in mind that Nonprogram foods are non-reimbursable foods that were originally purchased using the food service account.

Common examples include:

- Purchased second entrees
- a la carte foods
- extra milks
- adult meals
- Potentially – catering or vending machines

We can see vending machines listed in the Common Examples list. Vending machine items would only be considered as a nonprogram food if the items were purchased with food service dollars. If the purchase of vending machine items comes from a general fund, or a fund outside of the food service account, we would not consider it in the nonprogram food calculation, although all food items sold during the school day would still need to meet those Smart Snacks requirements.

Adult Meals

- ▶ **Teachers, parents, children that are not enrolled, other visitors**
- Use the simplified adult meal price outlined in **CANS Memo #223-1** will cover this requirement
- If your Adult Meal includes extra servings, then a **cost analysis** must be completed to ensure that the cost of the program foods are covered by the adult paid price

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To touch on Adult Meals –

Adult meals are considered as a nonprogram food. Adult meals need to be paid for by a source outside of the food service account, such as the general fund, or the adults paying for their own meals.

There needs to be recordkeeping on adult meals, so the school can accurately calculate food costs and revenues.

If the school is covering the cost of the adult meals (such as it being ‘built into their contract’), the adult meal price still must be properly established, and records kept of number of adult meals, so the school knows much money to transfer to the food service account to cover the cost.

The adult meal sales price calculation is typically handled at the start of the school year, when the school is submitting their annual agreement to the CANS office.

CANS Memo 223-1 goes into greater detail on Adult Meal Price calculation.

Adult Meal Prices...Why are they higher?

- Schools do not get reimbursed for adult meals
- Adult portions should reflect the same portions as student meals
- Staff meals directly involved in operation and admin of School Nutrition Programs can be considered as operational
- **CANS Memo #223-1** for details



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The key point here is that Student meal reimbursement cannot subsidize, or support, the adult meal price. Schools do not get reimbursed for adult meals

As far as adult meals being considered as an operational cost, Staff meals directly involved in operation and admin of School Nutrition Programs can be considered as operational

CANS NSLP Memo #223-1 goes into greater detail:

“Only the cost of meals served to adults directly involved in the operation and administration of the School Nutrition Programs may be added to and supported by the foodservice operation.

Individuals preparing and serving food and responsible for clean-up of food service such as dishwashers may have the cost of their meals charged to the foodservice account. Any meal served to an adult or a child that is not enrolled in your school may not be claimed for reimbursement or counted toward the USDA Foods (commodity) entitlement.”

Adult Meal Price – Simple Calculation

- Simple method to figuring the least amount allowed to charge adults:

Your Free Rate of Reimbursement + Federal Performance Rate of Reimbursement + Value Of USDA Foods + State Match Funds for USDA Foods

- **Ex: \$3.66 + \$0.07 + \$0.26 + .02 = \$4.01**

Adult breakfast must simply be higher than your free rate of reimbursement

- **Ex: \$2.35 (Severe Need Breakfast rate)**

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Here, we can see the Simple Method for calculating Adult Meal Price.

Your Free Rate of Reimbursement + Federal Performance Rate of Reimbursement + Value Of USDA Foods + State Match Funds for USDA Foods

Ex: \$3.66 + \$0.07 + \$0.26 + .02 = \$4.01

Adult breakfast must simply be equal to or greater than your free rate of reimbursement, ex: \$2.35

Reimbursement rates are not available from USDA until sometime in July.

To re-iterate, CANS program specialists double-check this calculation at the time of the school's annual iCAN agreement submission

A la Carte

- A la carte food sales that are not a part of the program reimbursable meal
 - Ex: sherbet, bottles of water, cookies, etc.
 - The raw material cost of the foods, packaging, labor must be covered by the sales price



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Another example of Nonprogram Foods is A la Carte. This would be like a bottle of water, a bag of chips, cookies, or something else that is maybe not even part of the original reimbursable meal.

The raw material cost of the foods, packaging, and labor must be covered by the sales price.

USDA recommends a 38% markup for a sales price from the raw food cost for all non-program foods and a la carte, however, you may be able to meet the requirement without such a mark-up.

Second Entrees or Meals

- A reference period check may be used to gauge if your second entrée or second meal prices are set high enough.
 - This is based on guidance in FNS policy memo SP20-2016 (<https://fns-prod.azureedge.net/sites/default/files/cn/SP20-2016os.pdf>)



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Second Entrees and Meals are another nonprogram food, and typically the most common

Selling that extra slice of pizza or extra carton of milk is considered as a nonprogram food, and would need to be included in a cost analysis, just as the other types of nonprogram foods identified.

If your school does not have the ability to complete a cost analysis on each entrée or meal sold in addition to the reimbursable meal, a reference period check may be used to gauge if your second entrée or second meal prices are set high enough. We will touch on the Reference Period later in the presentation.

Alternate Meals

- Alternate meals that are served to students that have a negative balance must still be paid for
- These meals need to be paid for outside of the food service account
- Conduct a cost analysis to determine sales price of the Alternative Meal – include in the Nonprogram calculations



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Another type of nonprogram food that is not really thought about very often is the alternate meal.

Alternative meals provided to students with a negative balance must still be paid for – whether it be by the household, general fund, angel account, or other method outside of the food service account

If the meal does not include all requirements for a reimbursable meal, then the meal is considered as a non-program meal.

If an Alternate meal is provided to students with a negative account balance, It is still recommended to make the meal reimbursable so that it can be claimed for reimbursement to help recoup the difference of the food cost and the payment for the meal

Spend Down Plans

- Nonprofit status: 3 months operating cost worth of funds on hand
 - Excessive requires spend down plan
- Net Cash Resource is reviewed at DOE
 - Most schools notified between December and January
 - Plan to be provided by school; approved by DOE

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Just to briefly touch on Spend Down Plans –

Schools with an amount in excess of 3 months worth of operating cost in the food service account need to provide a spend down plan to Department of Education.

Net Cash Resource totals are reviewed at DOE, and schools are notified typically between December and January if a Spend Down Plan is needed. In initial communication, a due date is provided, along with some suggestions, such as increasing food service salaries, equipment replacement, offering fresh produce, among other things. We will go into greater detail on suggestions on the following slides.

Once the school provides the spend down plan, DOE Finance & Management reviews the plan and provides feedback and approval.

Spend Down Plans – Considerations

- Food Service Account Considerations
 - Kitchen Equipment
 - Salary/benefits for School Nutrition Programs
 - Sufficiently staffed?
 - Higher quality food products
 - Point of Service computer system upgrade?



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Some considerations for the spend down plan –

- Kitchen equipment can be considered as part of a spend down plan; the equipment will still need to be approved by the CANS office and follow proper procurement procedures, outside of the spend down plan
- Does the school charge salary/benefits to the FS account for everyone that works with the SNPs? (Many schools do not charge admin support or janitorial staff time to the program - they can as long as they do a time study or track time each day)
- Is the Food Service sufficiently staffed (would FS agree)? Perhaps you can hire a registered dietitian to review and tweak menus and run nutrient analysis. Perhaps they can hire a baker or do more "scratch" cooking.
- Recommendation of serving higher quality foods. Does Food Service use full cuts of meat (turkey roasts, etc.) rather than the cheaper processed foods?
- Building in hazard pay to FS staff for COVID response – this would need to be in a personnel plan).
- Does the school food service need a Point of Service computer system upgrade?

We will continue on the following slide

Spend Down Plans – Considerations

- Food Service Account Considerations (Continued)
 - Online free/reduced application system?
 - Other barriers to participation?
 - Breakfast outreach for parent/community involvement?
 - Paid Lunch Equity Tool Exemption



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Some additional considerations for the spend down plan –

- Would the food service benefit from an online F/R Application system?
- Can the food service identify other barriers to participation unique to their school district and use the funding to overcome any of those challenges?
- Does the school host any **Student, parent, and community involvement** or breakfast outreach? A school could consider running a couple promotional days (7 CFR 210.12)
- The PLE Exemption will be available again for next school year – this would allow schools that do not have a negative balance in their food service account as of a certain day be exempt from increasing student lunch prices

Allowable Costs

- Must be Allowable
- Reasonable, necessary, allocable Sound business practices; following federal, state, local, tribal and other laws & regulations
- Consistently treated as a direct cost or indirect cost to the program
- Adequately documented

2 CFR 200.403 for details

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Purchases for a Spend Down Plan must also be identified as Allowable

2 CFR 200.403 provides a list of criteria for allowable costs; the School Food Authority should first determine if a cost meets the General Criteria –

- Reasonable, necessary, allocable to program operation
 - Market prices for comparable goods or services in the geographic area are on par
 - Purchase is Needed and directly linked to program operation
- Sound business practices;
 - Such as not buying from your brother's wife
- Following federal, state, local, tribal and other laws & regulations
 - Consider regulations that may be applicable for your agency
- Adequately documented – such as a pre-approval when needed; maintaining documentation for receipts, invoices, payment, etc.


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NonProgram Food Revenue Tool



Nonprogram Revenue Calculator		
Enter the cost for reimbursable meal, cost of nonprogram food and total revenue		
Cost for Reimbursable Meal Food		
Cost of Nonprogram Food		
Total Food Costs	\$	-
Total Nonprogram Food Revenue		
Total Revenue		
Minimum portion of revenue from nonprogram funds		0%
Minimum Revenue Required from the Sale of Nonprogram Foods	\$	-
Additional Revenue Needed to Comply	\$	-

1. Cost for Reimbursable Meal Food
2. Cost of Nonprogram Food
3. Total Food Costs
4. Total Nonprogram Food Revenue
5. Total Revenue

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Now we are going to look at the Nonprogram Revenue Tool. By rule, the Nonprogram Revenue Tool must be completed annually. Listed here is the information that is needed to complete this tool.

Information needed for the tool includes:

1. Cost for Reimbursable Meal Food (also known as Program Food cost, or the cost for the foods provided for reimbursable meals)
2. Cost of Nonprogram Food
3. Total Food Costs
4. Total Nonprogram Food Revenue
5. Total Revenue

This seems simple enough, but it can be a challenge to separate nonprogram food cost from program food cost. We have something known as the Reference Period Tool that can provide some assistance.



HOW THE TOOL WORKS

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Before we get into our Reference Period Tool resource, we will spend a little time on how the Nonprogram Revenue Tool works.

Non Program Food Revenue Tool

Nonprogram Revenue Calculator		
Enter the cost for reimbursable meal, cost of nonprogram food and total revenue		
Cost for Reimbursable Meal Food	\$	8,000
Cost of Nonprogram Food	\$	990
Total Food Costs	\$	8,990

Cost of Reimbursable Meal Food: \$8,000
 Cost of Nonprogram Food: \$990
 Total Food Cost: \$8,990

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In our example today, we have the cost of Reimbursable Meal Food being 8,000.

Conversely, we have the cost of our Nonprogram Food being 990.

Our total Food Cost for the time period we are using is 8,990.

Nonprogram Revenue Calculator		
Enter the cost for reimbursable meal, cost of nonprogram food and total revenue		
Cost for Reimbursable Meal Food	\$	8,000
Cost of Nonprogram Food	\$	990
Total Food Costs	\$	8,990
Total Nonprogram Food Revenue		
Total Revenue		
Minimum portion of revenue from nonprogram funds		11%
Minimum Revenue Required from the Sale of Nonprogram Foods	\$	-
Additional Revenue Needed to Comply	\$	-

\$990 is 11% of the total food cost of \$8,990

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When we look further down on the tool; the tool has generated 11% listed for nonprogram food funds.

This means that 11% of the total food cost comes from nonprogram food. This percentage will differ based on your own actual numbers.

So, In the example provided, our Nonprogram Food cost makes up 11% of the Total Food Cost.

Nonprogram Food Revenue Tool

- If 11% of Total Food Cost comes from Nonprogram Foods, Then we need at least 11% of the Total Revenue to come from Nonprogram Foods
- Nonprogram Revenue less than 11% would show that additional revenue would be needed to comply
- Nonprogram Revenue more than 11% would be acceptable because it would be over the minimum

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Since 11% of our Total Food Cost in our example comes from Nonprogram Foods, we need at least 11% of the total revenue to be Nonprogram Foods.

If we have less than 11% of our revenue be from Nonprogram, we are out of compliance, and need additional revenue to comply.

If we have more than 11% of our revenue come from Nonprogram, we are in compliance.

We will look at a couple examples on the following slides.

In Compliance

Nonprogram Revenue Calculator		
Enter the cost for reimbursable meal, cost of nonprogram food and total revenue		
Cost for Reimbursable Meal Food	\$	8,000
Cost of Nonprogram Food	\$	990
Total Food Costs	\$	8,990
Total Nonprogram Food Revenue	\$	2,000
Total Revenue	\$	12,000
Minimum portion of revenue from nonprogram funds		11%
Minimum Revenue Required from the Sale of Nonprogram Foods	\$	1,321
Additional Revenue Needed to Comply	\$	-

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Here is an example of being in compliance with the tool.

We are using the same food cost figures, but have \$2,000 in nonprogram revenue listed, and \$12,000 in total revenue listed.

Down below on the tool, we can see that we really only needed to hit a minimum of \$1,321 in revenue from Nonprogram Foods, so we are in compliance – there is no additional revenue needed to comply with the rule. – Because our \$2,000 is greater than this amount needed.

Out of Compliance

Nonprogram Revenue Calculator		
Enter the cost for reimbursable meal, cost of nonprogram food and total revenue		
Cost for Reimbursable Meal Food	\$	8,000
Cost of Nonprogram Food	\$	990
Total Food Costs	\$	8,990
Total Nonprogram Food Revenue	\$	1,000
Total Revenue	\$	12,000
Minimum portion of revenue from nonprogram funds		11%
Minimum Revenue Required from the Sale of Nonprogram Foods	\$	1,321
Additional Revenue Needed to Comply	\$	321

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Now, we will look at a scenario that we are out of compliance.

Same figures as before, but instead of having a \$2,000 revenue from Nonprogram Foods, we only had \$1,000.

We can see that we are short of the \$1,321 minimum requirement, and the tool shows us the additional revenue needed to comply with the rule, the \$321 shortfall.

Out of Compliance, What now?

1. Raise their nonprogram food prices
2. Transfer the “additional revenue needed to comply” from a non-Federal source into the School Food Service Account
 - Keep in mind: If you complete the tool using a reference period (anything less than 1 year), you will need to figure out the transfer amount for the entire year

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When out of compliance, the school would need to increase the nonprogram food prices and transfer the ‘additional revenue needed to comply’ into the food service account.

If you are using the Reference Period Tool for a one-week timeframe, keep in mind that you would need to transfer the amount to cover for the entire year.

Nonprogram Revenue Calculator		
Enter the cost for reimbursable meal, cost of nonprogram food and total revenue		
Cost for Reimbursable Meal Food	\$	8,000
Cost of Nonprogram Food	\$	2,000
Total Food Costs	\$	10,000
Total Nonprogram Food Revenue		
Total Revenue		
Minimum portion of revenue from nonprogram funds		20%
Minimum Revenue Required from the Sale of Nonprogram Foods	\$	-
Additional Revenue Needed to Comply	\$	-

Notice – when the cost of the non-program food raises, the percentage and minimum portion of revenue also raises

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Just to go back to the Revenue Calculator, notice that when the cost of nonprogram food raises, the percentage also raises.

For example, here, we can see that of the 10,000 Total Food Cost, we now have 2,000 coming from Nonprogram Food. This results in our minimum nonprogram revenue percentage to be 20%.

To reiterate, the percentage changes based on the information that is entered into the tool. There is no 'right' answer for the percentage – it is just a reflection of your Nonprogram Food Cost.

Using a Reference Period

- USDA Memo SP20-2016 allows for the use of a reference period to complete the Nonprogram Revenue Tool
- The reference period can be a minimum of one week (4 or 5 days depending on your typical school week)
- When using a reference period make sure you are using the same time period for all calculations

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If you are unable to conduct a year-long calculation, you can use a Reference Period.

The reference period can be a minimum of one week (4 or 5 days depending on your typical school week)

When using a reference period make sure you are using the same period of time for all calculations

For example, If you are using the week of October 16 – 20 for a reference period make sure you use that week for everything.

If you are using the whole month of November, make sure you are using the whole month of November in all of your calculations.

Final Steps

- Save a copy of the reference period tool and all documentation used to fill it out
- This is documentation that we will ask for during an Administrative Review



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This image is obtained from gifty.com

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Once you have entered all of the information into the reference period tool, save a copy of the tool and all of your documentation used to fill it out

This is documentation that we will ask for during an Administrative Review, so it is important to keep it together

CANS Nonprogram Reference Period Tool - Demo

- Can be found on the [CANS NSLP website](#) under the “*School Meal Programs Requirements*” dropdown, under the “*Nonprogram Foods*” heading

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Next, I am going to pull up a copy of the Reference Period Tool CANS resource. We won't have enough time to go thru the full tool today, but I will show you a few things with the tool to keep an eye on. Additionally, a full demo of the tool can be found on the CANS-NSLP website under the 'School Meal Programs Requirements' drop-down, then go down to the Nonprogram Foods header.

Post the Training Evaluation Survey Link

Show the 'Completed NonProgram Reference Period Tool' Excel document

- Point out the Instructions
- Reference the Example
- Display the Lunch tab – point out the steps
 - The top = the 2nd entrée or meal sold to the student
 - Next, record the adult meal, number sold, and adult meal price
 - Actual cost of the meal will be calculated shortly, and will automatically populate into this gray section
 - You can also record any additional milks that are purchased
 - Bottom = Total Food Cost
 - This is the full meal with costs per serving, and the total number of

- servings for both the reimbursable meal and the 2nd entrees from above
- The meal cost from below is automatically brought up to the Adult Meal Cost section
 - The production record will be helpful in completing this Nonprogram Reference Period Tool
 - Keep in mind, be leery of days where the number of servings are the exact same for everything
 - In this example, we see that the same number of servings were provided for everything on the walking taco day; it would be expected that the items sold as the 2nd entrée may be higher than everything else
 - Next, go to the A la carte
 - If your school sells a la carte, you can enter it in the A la Carte tab – things like chips, bottled water, or other items that may not be part of the reimbursable meal
 - Then, go to the Program Food Revenue
 - Record the sales prices for the meals, along with the program reimbursement and the number of meals claimed for the Reference Period being used
 - Once this is all completed, you can go to the Totals tab, and the amounts from the previous tabs will automatically calculate in the Nonprogram Revenue Calculator

Thank you!

- Questions?
- CANS Office:
 - 605-773-3413
- General Office Email:
 - DOE.SchoolLunch@state.sd.us
 - <https://www.surveymonkey.com/r/KBN2927> –
Training Evaluation

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Please feel free to contact our office with any questions regarding the Nonprogram Food Revenue Tool.

<https://www.surveymonkey.com/r/KBN2927> – Training Evaluation

Nonprogram Food Revenue Tool

Professional Standards Training Credit print, sign, and date this certificate for your records

This training credits for 30 minutes of training in

Key Area 3 – Administration 3000

3310: Meal Counting, Claiming, Managing Funds

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