

Provision 3 Manual

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I. OVERVIEW

The Special Assistance Certification and Reimbursement Alternatives rule, Amendment 19 to Part 245.9 Determining Eligibility for Free and Reduced-price Meals, implemented Section 9 of Public Law 95-166 for the purpose of reducing paperwork in the National School Lunch Program and School Breakfast Program. Three Provisional alternatives are provided to current free and reduced-price meal certification and reimbursement claim procedures. The following is a description of Provision 3 and the eligibility requirements as set forth in Public Law 95-166, eligibility updates contained in Public Law 101-147, Section 111 of Public Law 103-448 amended Section 11(a)(1) of the National School Lunch Act, and instructions on claiming reimbursement for meals served and the documentation required. A separate prototype policy statement and parent letter is included at the back of this manual

II. DESCRIPTION OF PROVISION 3

Schools opting for this alternative are not required to make annual free and reduced-price eligibility determinations or take daily meal counts by category. Meal reimbursement and commodity assistance are provided at the same level as the school received in the last year free and reduced-price applications were taken and daily meal counts by category were made, adjusted for inflation, enrollment and operating days.

Under this Provision schools (1) serve meals free to all children for a period not to exceed 4 successive school years; (2) receive Federal cash and commodity assistance equal to the level of assistance the school received for the last year in which free and reduced-price eligibility determinations and meal counts by eligibility category were made (the Abase year@), adjusted annually to account for changes in inflation and school enrollment; and (3) must make up the difference between Federal program assistance and the cost of the meals from sources other than Federal funds. Free and reduced-price eligibility determinations and daily meal counts by income category are only required during the base year.

At the end of the initial 4-year period, the school may continue to serve all meals free for an additional 4 years, without making new free and reduced-price eligibility determinations or taking daily meal counts by category, if the State Agency determines through available socioeconomic data that the income level of the school=s population has remained consistent with the income level in the base year. These schools would continue to receive reimbursement and commodity assistance based on the level of assistance the school received in the last year eligibility determinations were made, adjusted for inflation, enrollment and operating days.

All schools implementing Provision 3 must continue to meet the lunch and breakfast nutritional requirements specified under Parts 210 and 220. Additionally, Provision 3 schools are expected to maintain the quality of meals served under the lunch and breakfast programs.

For all Provisions the criteria used to determine a child=s eligibility for program benefits will be the same as that used for all other schools operating under standard procedures.

Base Year

- § School may provide reimbursable meals at no charge to students or may charge students eligible for reduced-price and paid meals during the Provision 3 base year. Schools are encouraged to consider offering all meals at no charge during the base year in order to optimize participation and develop a level of cash and commodity assistance that may be reflective of participation during successive years.
- § School collects income eligibility applications, determines eligibility, and conducts verification.
- § School counts the number of free, reduced-price, and paid meals at the point of service on a daily basis.

Next 4 Years

- § School provides meals at no charge to all students.
- § School does not collect applications for free and reduced-price meals. If a school collects applications for other benefits (such as textbook assistance), these applications cannot be labeled as meal applications or give any indication that meal benefits are dependent upon return of the application.
- § Reimbursement is given at the same level as the school received during the base year, as adjusted annually for enrollment, inflation, and operating days.
- § If the cost of providing all meals at no charge is greater than the total of Federal and State reimbursements, this difference must be paid from sources other than Federal funds.
- § Schools must take total daily meal counts of reimbursable meals served to participating children at the point of service and compare them monthly to the base year to determine if participation has dropped significantly. If participation drops significantly the SFA must provide the school with technical assistance, adjust the level of financial assistance through the State Agency or return to standard eligibility determination and meal counting procedures.
- § Schools must conduct a monthly edit check prior to submitting a claim. Total daily meal counts must be compared to total enrollment adjusted by the attendance factor. The State Agency has a spreadsheet available to assist with these calculations; the spreadsheet is for use in non-base years, edit checks in the base year would be completed with the form used for schools not participating in the Provisions.

Claim for Reimbursement and Commodities

For reporting purposes during the 4-year period, the SFA will report the number of meals served by type each month at the same level as reported during the base year, adjusted for changes in enrollment, inflation and operating days.

For example, if the school had a 5 percent increase in enrollment, the number of meals served by type each month would be increased by 5 percent for each meal type, free, reduced-price and paid, and multiplied by the reimbursement rate. The adjustments for inflation are reflected in the applicable reimbursement rates. If the number of operating days in the current year differs from the number of operating days in the base year and the difference affects the number of meals a prorata adjustment must be made to the current year claim for reimbursement. The State Agency has a spreadsheet available to assist with these calculations.

Entitlement commodities provided to the school during the 4 years are based on the number of meals served in the base year adjusted for changes in enrollment and inflation. Bonus commodities will continue to be based on availability each year.

Renewal

When the initial 4-year cycle expires, these schools must apply for a new 4-year cycle if they want to continue under Provision 3. These schools will not be required to make new free and reduced-price determinations or take meal counts by category if the State Agency determines that the income level of the schools= population has remained stable since the base year.

Schools will continue to serve all meals free for the next 4 years and reimbursement and commodity assistance will continue to be provided at the same level as provided in the base year when applications and meal counts were taken, adjusted for changes in enrollment, inflation and operating days.

Schools in which the socioeconomic data indicate more than a negligible improvement in the status of their population shall not be approved for a continuation of assistance at the adjusted base year level. These schools must establish a new base year by making new free and reduced-price eligibility determinations and categorical daily meal counts to establish a new cash and commodity assistance level for the following 4-year cycle if the school opts to remain under Provision 3.

Socioeconomic data

In determining whether the income level of the school=s population has remained stable, the State Agency must use the best socioeconomic data available, approved by the Secretary. Approved sources include: local data developed or collected by city or county zoning and economic planning offices; unemployment and local food stamp certification data for the area from which the school draws attendance, including direct certification; Food Distribution Program on Indian Reservations data; statistical sampling of the school=s population using the application process; and Temporary Assistance for Needy Families data (provided that the eligibility standards were the same or more restrictive in the base year as the current year with allowance for inflation). The State Agency must consult the Midwest Region Office for approval of data from other sources. Also, care should be taken to ensure that equivalent data is used both for the base year and the current year.

III. HOW TO APPLY

School Food Authorities not previously participating in Provision 3 should submit in writing a request for approval from the Division, identifying the schools that will participate in Provision 3 and the effective date. Also, include the completed Policy Statement (Attachment A).

IV. PUBLIC NOTIFICATION AND CERTIFICATION PROCEDURES

For the first school year, applications and letters should be sent to parent/guardians of all children prior to or at the opening of school to allow for the return and review of documentation by the end of the first week of school or immediately after a child has been enrolled. Applications from the prior year cannot be carried over to determine first-year eligibility percentages.

Schools that have implemented direct certification need to communicate with the State Agency to obtain documentation that the students are members of households currently certified to receive food stamps or Temporary Assistance for Needy Families in the first year of a cycle.

V. RECORD KEEPING REQUIREMENTS

School food authorities participating in Provision 3 would be required to retain records for the base year and following years for specified time periods. The failure to maintain records would result in the State Agency requiring the school to return to standard meal counting and claiming procedures because of the level of Federal reimbursement could not be justified. **The failure to maintain these records may also result in fiscal action.**

§ Base year records need to be retained during the time that Provision 3 is in effect, including all extensions, plus 3 fiscal years after the submission of the last claim for reimbursement which employed the base year data, for audit or review purposes.

§ Base year records include all records that relate to the base year and support following year=s earnings. This includes income eligibility applications, results of verification, and records of meal counting and claiming. In addition, enrollment data and number of operating days for the base year would have to be retained for schools under Provision 3.

§ Non-base year records need to be retained for 3 years after the final Claim for Reimbursement for the fiscal year.

§ Non-base year records include total daily meal counts of reimbursable meals, edit checks, and on-site review documentation during non-base years. In addition, enrollment data and the number of operating days would have to be retained for schools under Provision 3.

§ School food authorities that receive an extension of a provision would be required to retain the records of the available and approved socioeconomic data used to determine the income level of the school=s population for the base year and the year(s) in which the extension(s) were made.

VI. DOCUMENTATION

As currently required a SFA must keep on file a Free and Reduced-price Policy Statement each year for those schools operating under standard procedures. As part of the Special Assistance Certification and Reimbursement Alternative requirements, the SFA must also keep separate policy statements for Provision 3 schools. Each policy statement must include a list of the schools participating and their initial date of implementation. In addition, a signed statement by a SFA official must be included certifying that the schools listed have met the basic eligibility requirements for Provision 3.

VII. VERIFICATION

Verification is confirmation of eligibility for free and reduced-price meals under the National School Lunch or School Breakfast Program.

Verification efforts are not required of SFAs in which all schools participate in the Special Assistance Certification and Reimbursement Alternatives except in those years in which applications are taken for all students in attendance.

VIII. CONSIDERATIONS

To determine if a SFA or individual schools should implement Provision 3, the following areas should be considered.

In the month of September, for example, 1 400 meals were served to free eligible students; a monthly claiming percentage was determined by dividing 1 400 meals served by the 4 200 total meals served in September to obtain 33.33 percent. In turn, the rate for free meals served is calculated by multiplying the claiming percentage of 33.33 percent times 2.245 (2.09 reimbursement rate + .1550 commodity value) to obtain a product of 74.8 cents. The rate for reduced-price meals served is determined by multiplying 16.67 times 1.845 (1.69 + .1550) for 30.8 cents and the paid rate is determined by multiplying 50.00 percent times .3550 (.20 + .1550) for 17.8 cents. The products are then added together to determine the blended rate of \$1.23 (74.8 + 30.8 + 17.8 = 123.4)

	School Year 2001 - 2002	Monthly Claiming Percentages	Blended Rate
September			
Free	1,400	33.33%	\$1.23
Reduced	700	16.67%	
Paid	<u>2,100</u>	50.00%	
Total	4,200		
October			
Free	2,200	35.71%	\$1.19
Reduced	660	10.71%	
Paid	<u>3,300</u>	53.57%	
Total	6,160		
November			
Free	1,700	36.36%	\$1.31
Reduced	850	18.18%	
Paid	<u>2,215</u>	45.45%	
Total	4,675		

Provision 3 Questions & Answers

IMPLEMENTATION

1. Q. May schools implement Provision 3 mid-year?
A. Schools must start Provision 3 at the beginning of a school year. This keeps the calculations of assistance due the school as simple as possible.
2. Q. May RCCI=s implement Provision 3?
A. Yes, RCCI=s may use Provision 3 procedures.
3. Q. May Provision 2 schools convert to Provision 3?
A. Yes. But the Provision 3 cycle must end at the same time that the Provision 2 cycle would normally end, unless an extension is approved. Therefore, because the Provision 2 cycle is four years, which includes the base year as the first year, the school which converts from Provision 2 to Provision 3 cannot participate for more than three

years after the year in which eligibility determinations are made and meals are counted by type, unless an extension is approved. In other words, the school which converts from Provision 2 to Provision 3 can participate only for four years minus the sum of the base year (first year) plus the non-base years of Provision 2 during which claiming percentages were applied.

For example, if the Provision 2 school's base year is SY 2003/2004, followed by two consecutive non-base years. The school then applies to convert to Provision 3 for the third non-base year (SY2006/2007). The school may be approved to participate under Provision 3 for that third non-base year, which is the last year of the original Provision 2 four-year cycle, school year 2006/2007.

The school will have the opportunity to apply for continued participating under Provision 3 when its initial authorization expires. If it can demonstrate at that time that no significant economic improvement has occurred since the year in which eligibility determinations were made and meals were counted by type, it could continue to receive reimbursement based on what they earned during the first year that they participated under Provision 2 (SY 2003/2004).

4. Q. Under Provision 2, all meals must be served at no charge to the child during year 1 of the Provision 2 cycle. Is this also true of Provision 3?

A. Under Provision 3, schools must serve free meals for 4 consecutive years. During this 4-year Provision 3 cycle, schools receive the same level of assistance they received in the last year application eligibility determinations, and meal counts by free and reduced price meal category were taken. We have referred to this year as the base year. The base year is not considered part of the Provision 3 4-year cycle. Traditional counting and claiming procedures are used in the base year, i.e., meals are claimed according to the free, reduced-price and paid eligibility category of the children served.
5. Q. Is Provision 3 only for schools with large numbers of children eligible for free and reduced-price meals or may any school implement Provision 3?

A. Any school may implement Provision 3. However, since schools must make up the difference between program costs and Federal assistance with dollars other than Federal funds, we anticipate that the majority of schools that implement Provision 3 will be schools with large proportions of needy children.
6. Q. Is there an escape Provision for schools to revert to the regular system of application, and counting and claiming procedures?

A. Yes, schools may go back to standard procedures at any time. However, time must be taken to recertify free and reduced eligibility and begin meal counts, etc.
7. Q. If a school participates in both the breakfast and lunch programs, may the school implement Provision 3 just for the lunch program and not for the breakfast program or must all meals be served free?

- A. Yes, Provision 3 may be implemented for lunch only or breakfast only.

COUNTING AND CLAIMING PROCEDURES

8. Q. Do schools still have to maintain point of service meal counts to monitor program meals for components and/or nutritional requirements?

A. Provision 3 is not intended to diminish the quality of program benefits offered children. USDA fully expects that State Agencies will ensure that school food authorities continue to provide program benefits comparable with past performance and that State Agencies will withdraw authority for school food authorities to participate in Provision 3 if the State Agency judges that meal quality has declined.

Schools must provide children with meals that meet regulatory requirements. The intention of the alternative meal counting and claiming procedures (Provision 1, Provision 2, and Provision 3) are to simplify applications and/or counting and claiming procedures, not to undermine the nutritional guarantees provided by the program. Schools must establish procedures to ensure that meals offered to students meet the minimum requirements and that students take at least the minimum required servings. State Agencies may impose point of service requirements or other equivalent counting procedures that support the nutritional integrity of the program.

9. Q. As schools must continue to document production of program meals, should they still keep some type of meal count or document what they have served to enable them to plan for like menus in the future?

A. Schools must follow procedures that will enable them to operate the program efficiently and effectively. Some type of meal tracking system is necessary for planning purposes in most schools. They also must be able to document compliance with meal requirements, including meeting the goals of the Dietary Guidelines.

10. Q. Should meals served under Provision 3 be reported separately to and by the State Agency so that the USDA may report information to Congress if requested?

A. Meals served under Provision 3 do not have to be reported separately. However, Food and Consumer Service would appreciate any information on how Provision 3 is working in schools that opt to implement this Provision. We would want to know whether there is any change in the number of program meals served, socioeconomic data used, an estimate of burden reductions, and the level of any State/local funding contributed to schools operating under Provision 3.

11. Q. The system is based on the monthly submission of meal counts by the school district. Can the State Agency require schools to report meal counts with each claim for reimbursement submitted under Provision 3?

A. Yes, the State Agency may require school districts to report monthly meal counts. In fact, the USDA payment system is also based on monthly meal counts. Therefore, USDA will continue to require that State Agencies include monthly meal counts on Claims for Reimbursement for Provision 3 schools. However, State Agencies and school food

authorities are not required to report actual monthly meal counts for Provision 3 schools. Instead, State Agencies and school food authorities may report the number of meals served for each month of operation under Provision 3 based on the number of meals claimed by category (paid, reduced-price and free) in the corresponding month in the last year applications and meal counts were taken and adjust the counts upward or downward to reflect increases or decreases in enrollment. For example, prior to operating under Provision 3, a school had reported actual meal counts of 275 free meals served, 25 reduced-price meals served, and 50 paid meals served in December. The school opts for Provision 3. The school's enrollment has increased by 5 percent. Under Provision 3, the school would report 289 free meals served ($275 + 5\%$), 27 reduced-price meals served ($25 + 5\%$) and 53 paid meals served ($50 + 5\%$) for the December claim.

12. Q. What is negligible improvement in socioeconomic status?

A. The change in the income level of the school population shall be considered negligible if there is a 5 percent or less improvement, after adjusting for inflation, over the base year in the level of the socioeconomic indicator which is used to establish the income level of the school's population.

ENROLLMENT

13. Q. Is Federal assistance adjusted for both increases and decreases in enrollment?

A. Yes. Adjustments in Federal cash and commodity assistance will be adjusted to reflect increases and decreases in enrollment.

14. Q. How often can the school report enrollment increases or decreases?

A. Enrollment for Provision 3 schools is to be determined annually on October 31. (October 31 of the base year is compared to October 31 in subsequent years of the Provision 3 cycle.) This enrollment data would then be used until the next October 31 adjustment. When there is a significant midyear change in enrollment, that would not have been reflected in the level of Federal assistance provided in the last year applications were taken (the base year), State Agencies may allow school food authorities to adjust enrollment for these schools more frequently than annually. For example, a Provision 3 school experiences a large increase (or decrease) in enrollment because of the consolidation of schools in the district.

15. Q. What is enrollment? Does it mean access to the Program?

A. Yes, it means the number of children enrolled in the school as of the last day of operation in October who have access to program meals. For example, it must not include half-day kindergarten children, who are not scheduled to be in school during the service of program meals.

FREE AND REDUCED-PRICE POLICY STATEMENT

16. Q. What does the school food authority have to provide to the State Agency on the free and reduced-price policy statement to establish that it is ready to operate under Provision 3?

A. School food authorities of schools opting to implement Provision 3 must amend their policy statements. The policy statement should include the name(s) of school(s) that will serve all meals free under Provision 3; the date of implementation; the manner in which households will be notified that all meals will be available at no charge to student; an assurance that approved applications in the base year will be maintained for as long as necessary to substantiate Federal assistance in the applicable Provision 3 cycle; and an assurance that the determination of the number of children enrolled will be based on the school=s enrollment on October 31 annually.

VIII. ATTACHMENTS

Attachment A - Free and Reduced-price Meal Policy Statements for Provision 1, 2, or 3

Attachment B - Household Notification Letter

POLICY STATEMENT FOR Provision 1 - 2 - 3

_____ hereby accepts responsibility for uniformly implementing
(School Food Authority)
an approved policy to determine children=s eligibility for free and reduced-price meals.
Meals, as applicable, will be served without charge to all children in attendance at all eligible
participating sites, listed below, under jurisdiction of this School Food Authority, that meet the
requirements of 245.9(b).

The School Food Authority also assures that all children in attendance are being served the
same meals with no physical segregation of, or other discrimination against any child
because of race, color, national origin, age, sex, disability, or ability to pay for the meal
service.

During the first year, the School Food Authority assures that all free and reduced-price meals
claimed for reimbursement are served only to those children determined to be eligible for
such benefits, that household size and income data on all children receiving free or reduced-
price meals is on file with the School Food Authority and that they meet the prescribed
eligibility criteria. In the additional years the School Food Authority agrees to claim meals as
required under 245.9(b)(2).

Participating Provision ____ Schools	Initial Year of Implementation	Years the Cycle is to Remain in Effect	Year the Provision Must be Reconsidered

Certification statement: By signing below, the authorized representative certifies the criteria
for participating in the special assistance provisions is being met in accordance with Part
245.9 (a), (b), (c), (d), or (e), as appropriate.

Signature of Superintendent of Chief Executive Officer Date

Name and Title (printed or typed)

School or Corporation Letterhead

Letter to Parents
(For additional years)

Dear Parent or Guardian:

We are pleased to inform you that all children in _____ school will be receiving meals at no charge through academic year of _____, unless otherwise notified.

Be assured that your child/children will receive a free lunch and free breakfast regardless of your income or family size. All children are treated the same regardless of ability to pay. In the operation of child feeding programs, no child will be discriminated against because of race, color, sex, disability, age, or national origin.

If we can be of any further assistance, please contact us.

Sincerely,