Memorandum

Date: April 6, 2012

To: School Food Service Administrators

From: Scott Clements, Director
Office of Child Nutrition

Subject: Paid Lunch Equity (PLE) Requirement for SY 2012-2013

Section 205 of the Healthy, Hunger-Free Kids Act requires school food authorities (SFAs) participating in the National School Lunch Program to ensure sufficient funds are provided to the nonprofit school food service account for lunches served to students not eligible for free or reduced price meals. SFAs must annually review their paid lunch revenue to assure compliance with the paid lunch requirement. When the average paid lunch price is less than the difference between the free and paid Federal reimbursement rates, the SFA must determine how they will meet the requirement: by increasing their average paid lunch price or providing funds from non-Federal sources.

For SY 2012-2013, SFAs that choose to increase the average paid lunch price must increase it by a factor of 2 percent plus the annual inflation rate of 2.18 percent (4.18). The inflation factor is based on the percentage change in the Consumer Price Index (CPI) for All Urban Consumers. Due to the timing of calculating and issuing the reimbursement rates, the paid lunch equity calculations are based on the inflation factor used for the previous school year’s reimbursement rates. Therefore, the inflation factors used by SFAs to calculate their paid lunch equity requirements will change from year to year.

Please note that 10 cents is the maximum that an SFA would ever be required to contribute in a given year, even if the SFA’s annual PLE calculation showed a higher amount. If an SFA chooses to increase paid lunch prices more than required, the amount will be carried forward to the next school year(s) to meet the paid lunch equity requirements. SFAs must keep sufficient records to document and carry forward the average price calculations.

SFAs that choose to contribute non-Federal sources to the nonprofit school food service account in lieu of raising paid lunch prices must calculate the appropriate amount to contribute. The SFA should determine the total number of paid reimbursable lunches claimed for the previous school year and multiply the total by the difference between the SY 2012-2013 weighted average paid lunch price requirement and the SY 2011-2012 weighted average paid lunch price.
SFAs are strongly encouraged to use the USDA Paid Lunch Equity (PLE) Tool, in order to accurately calculate their required paid lunch price and/or non-Federal source contribution. The tool makes the following calculations:

- Weighted average paid lunch price for SY 2012-2013
- Required paid lunch price increase for SY 2012-2013
- Required non-Federal source contribution required for SY 2012-2013

The State Agency will provide additional resources and training on this requirement in the upcoming months.

The following is provided as an example for SFAs who opt to do a manual calculation of their required paid lunch price for school year 2012-2013.

Assuming the SFA did not change prices in SY 2011-2012, we must first calculate the required average paid lunch price for that year. For example, in SY 10-11 the average paid lunch price was $2.00. We will multiply $2.00 times 2 percent plus the inflation factor of 1.14 percent (or 3.14%). The total is then added to the SY 10-11 average paid lunch price.

\[ \$2.00 \times 0.0314 = 0.0628 \]
\[ \$2.00 + 0.0628 = \$2.0628, \text{ or } \$2.06 \]

$2.06 is the average paid lunch price the SFA would have been required to charge in SY 2011-2012, and becomes the basis for the SY 12-13 calculation.

Next, we will multiply the required average paid lunch price ($2.06) times 2 percent plus the inflation factor (2% + 2.18% = 4.18%). The total is then added to the SY 2011-2012 required average paid lunch price.

\[ \$2.06 \times 0.0418 = 0.086108 \]
\[ \$2.06 + 0.086108 = \$2.146108, \text{ or } \$2.15 \]

$2.15 is the average paid lunch price the SFA would be required to charge for SY 2012-2013. SFAs have the option to round down to the nearest five cents. In this example, the required price calculated is already at five cents. If the required price would have been $2.18, the SFA would have the option to round down to $2.15.