

The schools receive government assistance in two ways to fund their School Lunch Program: Reimbursements and USDA Foods

1) Reimbursements

The schools serve lunches that meet USDA Nutritional Guidelines. After each month, the School Food Authorities (SFAs) have 60 days to claim reimbursements through CNIPS¹. The reimbursement is on a per-meal-served basis. SFAs log the number of students approved for each type of meal, the number of operating days, and the number of meals of each type served. After submitting the claim, the CDE either approves or denies the claim. Once the claim is approved, schools receive the reimbursement via check. The reimbursement process takes approximately 4-6 weeks after submitting the claim.

The USDA funds the state agencies and has the state agencies administer the funding on the state level. The current reimbursement rates for the 2023-2024 school year are as follows in the chart on the next page²:

For the NSLP, the reimbursement rate is determined by the proportion of students approved for reduced price or free meals as well as a performance-based cash reimbursement. If more than 60% of the students are approved for reduced price or free meals, schools receive an additional 2 cents per meal served. If schools meet USDA nutritional guidelines (I'm unsure whether it is all the standards or enough of the standards), they receive an additional 8 cents per meal served. California has higher rates of reimbursements for schools as seen in the chart below³:

National School Lunch Program

Description	Free	Free+8 cents*	Reduced-Price	Reduced-Price+8 cents*	Paid	Paid+8cents*
Agencies that served less than 60% free/reduced-price lunches in 2021–22	\$4.33	\$4.41	\$3.93	\$4.01	\$0.77	\$0.85
Agencies that served 60% or more free/reduced-price lunches in 2021–22	\$4.35	\$4.43	\$3.95	\$4.03	\$0.79	\$0.87
Commodity Value	\$0.4300	\$0.4300	\$0.4300	\$0.4300	\$0.4300	\$0.4300

¹ For California, this is administered through the California Department of Education's (CDE) platform called the Child Nutrition Information Payment System (CNIPS).

² The source of this chart is on page four of the link below:

<https://www.govinfo.gov/content/pkg/FR-2023-07-07/pdf/2023-14313.pdf>

³ The source of this chart is a table found in the link below: <https://www.cde.ca.gov/ls/nu/rs/rates2223.asp>

SCHOOL PROGRAMS							
MEAL, SNACK AND MILK PAYMENTS TO STATES AND SCHOOL FOOD AUTHORITIES							
Expressed in Dollars or Fractions Thereof							
Effective from: July 1, 2023 - June 30, 2024							
NATIONAL SCHOOL LUNCH PROGRAM ¹		LESS THAN 60%	LESS THAN 60% + 8 cents ²	60% OR MORE	60% or MORE + 8 cents ²	MAXIMUM RATE	MAXIMUM RATE + 8 cents ²
CONTIGUOUS STATES	PAID	0.40	0.48	0.42	0.50	0.48	0.56
	REDUCED PRICE	3.85	3.93	3.87	3.95	4.02	4.10
	FREE	4.25	4.33	4.27	4.35	4.42	4.50
ALASKA	PAID	0.66	0.74	0.68	0.76	0.76	0.84
	REDUCED PRICE	6.50	6.58	6.52	6.60	6.74	6.82
	FREE	6.90	6.98	6.92	7.00	7.14	7.22
GUAM, HAWAII, PUERTO RICO and VIRGIN ISLANDS	PAID	0.53	0.61	0.55	0.63	0.61	0.69
	REDUCED PRICE	5.14	5.22	5.16	5.24	5.34	5.42
	FREE	5.54	5.62	5.56	5.64	5.74	5.82
SCHOOL BREAKFAST PROGRAM				NON-SEVERE NEED		SEVERE NEED	
CONTIGUOUS STATES		PAID	0.38		0.38		
		REDUCED PRICE	1.98		2.43		
		FREE	2.28		2.73		
ALASKA		PAID	0.58		0.58		
		REDUCED PRICE	3.36		4.09		
		FREE	3.66		4.39		
GUAM, HAWAII, PUERTO RICO and VIRGIN ISLANDS		PAID	0.47		0.47		
		REDUCED PRICE	2.65		3.23		
		FREE	2.95		3.53		
SPECIAL MILK PROGRAM				ALL MILK	PAID MILK	FREE MILK	
PRICING PROGRAMS WITHOUT FREE OPTION				0.2625	N/A	N/A	
PRICING PROGRAMS WITH FREE OPTION				N/A	0.2625	Average Cost Per 1/2 Pint of Milk	
NONPRICING PROGRAMS				0.2625	N/A	N/A	
AFTERSCHOOL SNACKS SERVED IN AFTERSCHOOL CARE PROGRAMS							
CONTIGUOUS STATES			PAID	0.10			
			REDUCED PRICE	0.58			
			FREE	1.17			
ALASKA			PAID	0.17			
			REDUCED PRICE	0.94			
			FREE	1.89			
GUAM, HAWAII, PUERTO RICO and VIRGIN ISLANDS			PAID	0.13			
			REDUCED PRICE	0.76			
			FREE	1.52			

¹ Payment listed for Free and Reduced Price Lunches include both section 4 and section 11 funds² Performance-based cash reimbursement (adjusted annually for inflation)

According to the chart, here is the breakdown for the additional reimbursements by meal type for California. For free meals, California provides an additional 8 cents of funding per meal served. For reduced-priced meals, California provides an additional 8 cents of funding per meal served. For full-priced meals, California does not provide additional assistance.

2) USDA Foods/Commodity Entitlements

The USDA's Food and Nutrition Service (FNS), Agricultural Marketing Service (AMS), and the Farm Service Agency (FSA) decide which commodities they will purchase for the year. This is the food that will be available to schools.

There are two groups of commodities: Group A and Group B. Group A foods include perishable foods such as fruits, vegetables, poultry, fish, and meat. These are generally offered to states when a purchase is expected to be made. Group B foods are generally price support foods such as dairy products, cereals, grains, peanut products, and vegetable oil products.

The school's entitlement to that food is given to the school based on the "estimated number of lunches served between July 1 and June 30"⁴. The value per lunch is a three-month average of the Price Index for Food Used in Schools and Institutions for March, April, and May of each year. Multiplying the estimated number of lunches by the value per lunch gives the school's total entitlement for the year. For the 2024 school year, the current value is \$0.295 per lunch served.

The USDA distributes the entitlement dollars to the state agencies and the state agencies distribute those dollars to the Recipient Agencies (RAs)

Schools use their entitlement dollars through their State Distribution Agencies (SDA) to purchase the food the USDA plans to provide⁵. This is found on the Foods Available List⁶. SDAs choose the foods that will be available to RAs in their state. There are four categories of the foods available: Direct Delivery - Minimally Processed, Direct Delivery - Value Added, Direct Diversion to Approved Processors for Further Processing, and DoD Fresh Fruit and Vegetable Program.

⁴ I don't know if the number of lunches in the previous year is the only factor that determines the number of lunches. It is not specified. <https://www.fns.usda.gov/usda-fis/determining-school-and-child-care-commodity-entitlements>

⁵ I don't know if the program has changed, but a document in 2003 states that schools have the opportunity to refuse, accept all, or partially accept the parts of its share rather than choosing the food they want. See Footnote 4 for link.

⁶ The Foods Available List is linked here: <https://www.fns.usda.gov/usda-fis/usda-foods-available>

- Direct Delivery - Minimally Processed: Minimally processed foods. Ex. Fruits, ground beef, or brown rice.
- Direct Delivery - Value Added: USDA purchases value added end products for delivery to SDAs. Ex. Applesauce cups, chicken fajita, or whole grain pastas
- Direct Diversion to Approved Processors for Further Processing: SDAs enter into processing agreements processors that allow the USDA products to be converted into end products. Examples of shipped products are bulk coarse ground beef, bulk cheddar, etc.
- DoD Fresh Fruit and Vegetable Program: The DoD has a system they use to purchase produce. RAs can request their SDA to allocate some of their entitlement for purchase through this program.

Each entity in the usage of entitlements process has responsibilities. See appendix.

RAs are responsible for tracking their entitlement. The value of the USDA Foods is received by RAs through a variety of ways. The following are some of the ways that RAs receive the value of the USDA Foods:

- Rebates: RAs order processed products from approved processors and pay the full price of the item. Upon delivery of the product to the RA, the processor issues a check to the RA for the value of the USDA Foods contained in the product.
- Fee-For Service, Traditional Model: Schools identify a delivery location and are charged the cost of additional ingredients, processing, and delivery by the processor. If the delivery location is a third-party distributor, the title transfers to the district upon delivery. There are two invoices to the RA: one from the processor when the product is delivered to the delivery location and another from the distributor when the product is delivered to the RA
- Fee-For Service Through a Distributor: The distributor sends a single invoice to the RA. The processor retains liability of the USDA Foods until a sale is made.
- Net Off Invoice: Processors sell commercial products to Distributors at full commercial prices. The distributor sells the products to RAs. Once the sale is made, the processor rebates the value of the USDA Foods to the distributor. RAs only pay for the FFS cost.

- USDA:
 - Establish annual entitlement and communicate to States
 - FDD and AMS develop purchasing plan for USDA Foods offered
 - FDD Communicates Foods Available List and purchase schedule to SDAs

- FDD manages and finalizes SDA orders
- FDD approves National Processor Agreement, EPDS and SEPDS
- AMS approves all meat and poultry EPDS's, even in-state Processors
- FDD sets the level of bonds required for Processors
- FDD maintains updated list of nationally approved Processors
- FDD monitors national MPR of inventories at Processors
- FDD reviews independent audits required for Processors
- FNS Office of Food Safety notifies
- FDD of Processor recalls
- FDD notifies Processor and States of Processor recall
- SDA:
 - Communicates allocations and surveys to RA
 - Consolidates RA orders, coordinates with other SDAs to meet truckload shipping requirements, and forwards requests to FDD for delivery of USDA Foods
 - Determines which VPT systems will be accepted from each Processor
 - Signs State Participation Agreements (SPA) with multi-state Processors
 - Signs SEPDS
 - Enters into agreements with in-state Processors
 - Communicates Processor approvals to RAs
 - Monitors, establishes and enforces policies that ensure inventory levels at RAs and Processors conform with limits established in regulation
 - Follows recall procedures established by USDA and develops and maintains a system to communicate hold and recall information in a timely manner
 - Provides training and education to RA's
 - Serves as a resource to RA's for USDA Foods related issues
 - Is required by law to ensure that RA have the maximum options available to them to use entitlement
 - Receives and reviews Monthly Performance Reports
 - State implements the State Emergency Notification System (SENS) to improve recall notification to RAs
- Processor:
 - Enter into agreements with USDA (NPA) and/or States (processing agreements and SPA) to process USDA Foods
 - Secures performance and surety bonds as required
 - Provides SEPDS to States
 - Responds to bids and contracts from RAs and SDAs for processing USDA Foods
 - Provides detailed product information to assist RAs in meeting menu and production requirements
 - Produces products that follow all federal and state requirements including inspections, grading, labeling and other related activities. Where

requested or appropriate, individual items that meet requirements for CN labeling

- Bills RAs in accordance with bid using State's approved VPT method
- Ships end products to RA or state designated destination(s)
- Conducts monthly sales verifications
- Provides monthly performance, inventory and production reports to state and FDD
- Retains records for a minimum of three years (in addition to the current SY)
- Maintains tracking system for USDA Foods from receipt through production and delivery to all sites
- Responds to recalls in accordance procedures established by USDA
- Distributor
 - Stores and delivers USDA Foods in accordance with RA bids or Processor agreements
 - Maintains tracking system for all USDA Foods received, stored and delivered
 - As required, maintains system to monitor RA USDA Foods inventory at Processors to ensure accurate VPT crediting
 - Follows recall procedures established by USDA
- RA
 - Plans menus to meet meal pattern requirements
 - Determines USDA Foods and quantities to request using entitlement dollars
 - Develops and awards bids for processing
 - Places requisitions for USDA Foods using WBSCM or other state designated system or method
 - Forwards responses to surveys to state, designating Processor and quantity of USDA Foods to divert
 - Monitors orders to Processor to assure steady drawdown of inventory
 - If end products purchased using the NOI sales method, RA must participate in verification procedures
 - Monitors Processor and Distributor bills to assure Value Pass Through of USDA Foods are received
 - If contracting with Distributor to store and deliver USDA Foods, should have signed agreements governing roles and responsibilities for handling USDA Foods
 - Follows recall guidance as provided by FNS Office of Food Safety
 - For food safety notifications, RAs should register on www.envoyprofiles.com/USDA-ALERTS/