

In a “Nutshell” **Unpaid Meal Charges**



USDA Policy Memorandum SP 46-2016 requires all School Food Authorities (SFAs) operating federal school meal programs to have a written and clearly communicated policy to address unpaid meal charges by July 1, 2017.

Unpaid Meal Charge Policy

- Must explain how the SFA will handle situations where children eligible to receive reduced price or paid meals do not have money in their account or in hand to cover the cost of their meal at the time of service.
 - If a child has money to purchase a reduced price or paid meal at the time of the meal service, the child must be provided a meal. SFAs may not use the child's money to repay previously unpaid charges if the child intended to use the money to purchase that day's meal.
- Should be implemented and enforced SFA-wide.
- Local discretion to vary policy based on student grade level.
- Must be provided in **writing** (mail, email, back-to-school packet, student handbook, etc.) to all households at the start of each school year and to households transferring to the school district during the school year. Simply posting the policy to the school website does not meet the requirement.
- Must be provided in writing to all school or SFA-level staff who are responsible for policy enforcement. SFAs are encouraged to provide information about the policy to principals and other school or district administrators to ensure the policy is supported.
 - Schools may not enlist the assistance of unauthorized persons, such as parent or guardian volunteers, to follow up with debt collection efforts.
- SFAs are encouraged to review the policy on a regular basis (e.g., annual or bi-annual).

Alternate Meals

- SFAs are not required by USDA to provide a meal to paid or reduced students with negative account balances, but if SFAs do provide an alternate meal, the following must be adhered to.

Claiming Meal	Not Claiming but Charging	Not Claiming or Charging
Must meet meal pattern SFA may limit entrée choice to less expensive option If Offer versus Serve, SFA must offer • Lunch - 5 components • Breakfast - 4 items	Each item must be priced individually Each item must meet Smart Snacks Item pricing is subject to nonprogram food regulation	Meal is provided free of charge Meal does not need to meet Smart Snacks Meal cost must be funded from a non-federal source and is subject to nonprogram food regulation Food Service Fund may NOT absorb meal cost
Must accommodate Special Dietary Needs		

Delinquent Debt

- When payment is overdue, the debt is classified as delinquent as long as it is considered collectable and efforts are being made to collect it.
- A debt owed to the Nonprofit School Food Service Account remains on the accounting documents until it is either collected or is determined to be uncollectable and written off.
- The debt may be carried over from year to year.

Bad Debt

- When local officials determine further collection efforts for delinquent debt are useless or too costly, the debt must be reclassified as “bad debt.”
- When this uncollectible debt becomes bad debt, it is written off as an operating loss.
- Food service funds may not be used to cover costs related to the bad debt.
- These losses must be restored using non-federal funds such as the school district’s general fund, so a transfer must be made into the Nonprofit School Food Service Account to cover the loss.
- Once delinquent meal charges are converted to bad debt, records relating to those charges must be maintained in accordance with the record retention requirements.

When a child leaves the district or graduates, SFAs must attempt to return remaining student account funds. However, SFAs may encourage families that are not approved for free or reduced price meals to donate their remaining funds to cover unpaid meal charges that were uncollectable.



Households approved for reduced price meal benefits must receive a refund. There is a federal requirement that children eligible for reduced price meals pay a maximum of 40 cents per lunch and 30 cents for breakfast; retaining the unused funds would result in the per meal price exceeding these amounts.

Resources

- SP 57-2016: *Unpaid Meal Charges: Local Meal Charge Policies*, July 8, 2016, <http://www.fns.usda.gov/unpaid-meal-charges-local-meal-charge-policies>.
 - SP 47-2016: *Unpaid Meal Charges: Clarification on Collection of Delinquent Meal Payments*, July 8, 2016, <http://www.fns.usda.gov/unpaid-meal-chargesclarification-collection-delinquent-meal-payments>.
 - SP 58-2016: *Unpaid Meal Charges Guidance*, <http://dpi.wi.gov/sites/default/files/imce/school-nutrition/pdf/sp-58-2016.pdf>
- Optional resources inside:
- Local meal charge policy checklist
 - Sample outstanding balance letter
 - Sample robo-call script
- USDA Unpaid Meal Charges webpage: <http://www.fns.usda.gov/school-meals/unpaid-meal-charges>.