



# Setting Meal Prices



## Student Meals:

- The goal of every school should be to have a financially sound School Meals Program. To achieve this goal, it is important to ensure the income from all student meals (free, reduced and paid) covers the cost of producing these meals.
- The USDA reimbursement provided for a free lunch plus the value of USDA donated foods (commodities) plus the certified menu reimbursement is intended to cover the average cost of providing a student lunch. The value of donated foods is determined annually and is the same for all students, whether receiving free, reduced or paid meals. Using these rates for the 2017-18 school year, ( $\$3.23 + \$0.2325 + \$0.06$ ), the average cost of a student lunch is approximately \$3.52.

For a reduced-price student lunch, the USDA reimbursement is \$0.40 less than the reimbursement received for a free lunch. Schools may charge a maximum price of \$0.40 for a reduced price lunch ( $\$3.29 - \$2.89 = \$0.40$ ).

The price to charge for a paid student lunch can be calculated by subtracting the USDA reimbursement received for a paid lunch from the reimbursement received for a free lunch ( $\$3.29 - \$0.37 = \$2.92$ ).

- Using another approach, the price of a paid student lunch can be determined by completing an actual determination of the average cost of providing a lunch or breakfast and subtracting the USDA reimbursement received for a paid meal. For example:
  1. The school calculates the actual costs for a lunch. Total expenses are divided by the meal count including the total number of students and adults served. The cost of food, supplies and labor per lunch is \$3.22.
  2. USDA's total reimbursement for a paid student lunch is \$0.37 (a combination of the regular reimbursement of \$0.31 plus the menu certification of \$0.06).
  3. The price to charge for a paid student lunch ( $\$3.22 - \$0.37$ ) is \$2.85.
- The value of donated foods does not apply to breakfast, though donated foods may be used at breakfast. The 2017-18 USDA reimbursement rate for a free breakfast is \$1.75. The reimbursement rate for a reduced price breakfast is \$1.45 which is \$0.30 less than the free rate of reimbursement for breakfast. The maximum amount that can be charged for a reduced-price student breakfast is \$0.30. The price to charge for a paid student breakfast can be calculated by subtracting the USDA reimbursement received for a paid breakfast from the reimbursement received for a free breakfast  $\$1.75 - \$0.30 = \$1.45$ .
- The USDA reimbursement rates are adjusted annually to reflect changes in the Consumer Price Index. Each school district must examine their paid meal prices on an annual basis. All districts are required to complete USDA's Paid Lunch Equity (PLE) Tool on an annual basis. Increasing meal prices a small amount each year is recommended. A significant increase in meal prices may result in a drop in participation.

## Can Schools Set Meal Prices Too High?

- Meal prices for full price students should not be set so high that full price students do not participate. School lunch and breakfast contribute significantly to academic achievement for all students.

- School districts are required to demonstrate a nonprofit food service operation by limiting net cash resources to an amount that does not exceed three months operating costs for the food service program. For example, if the amount spent on food, labor and other costs associated with the food service program averages \$20,000 per month; the food service account balance must not exceed \$60,000. If the district has an unusually high balance, begin working on a purchasing plan for the future. Contact NDE for more information.

### Adult Meals:

- USDA requires schools to ensure that reimbursement, student payments and the value of donated foods are not used to subsidize meals served to adults. In order to meet this requirement, schools are required to sign an agreement that contains the following statement:

“Each School Food Authority shall, with respect to participating schools under its jurisdiction, charge adults, at a minimum, an amount equal to the total reimbursement received for a free lunch under Section 4 and 11 of the National School Lunch Act plus the per-meal value of donated foods plus the certified menu reimbursement. For breakfast, adults should be charged the rate established for free breakfasts under Section 4 of the Child Nutrition Act. No reimbursement or donated food is provided for adult meals.”

- School districts do not receive reimbursement nor do they get donated foods for the adult meals served. Therefore, the adult meal price is based on portion sizes equivalent to a student tray. Although portion sizes are left up to the discretion of the school district, to serve “extras” or even “double portions” to an adult adds to the cost of the meal.
- For the 2017-18 school year, the adult meal prices should be set as follows:
 

Lunch:	Free reimbursement:	\$3.23
	Donated food value:	0.2325
	Certified menu reimbursement:	+ <u>0.06</u>
	Adult lunch price:	\$3.52 (price set at \$3.55)
Breakfast:	Severe need free reimbursement:	\$2.09
	State reimbursement:	<u>.05</u>
	Adult breakfast price:	\$2.14 (price set at \$2.15)
- A school that does not set adult meal prices at or above the amount specified must certify each year that school district general funds are used to support the school food service operation.

### What Price Should We Charge for A La Carte Items?

- A la carte prices should cover food and labor costs associated with each item, as well as a fair profit. Compare prices of similar items locally and consider setting school prices slightly lower. Prices can deliberately be set lower on certain items such as fresh fruit, bottled water, etc. to encourage the purchase of these items.
- A la carte menu items should be priced so that any combination under Offer Versus Serve would equal or exceed the cost of the reimbursable meal. The reimbursable meal should always be the best buy. You could market it as a “Super Value Meal.”

For example:

- The price charged for a reimbursable student lunch is \$2.85.
- If the price charged for an a la carte sandwich and milk is \$3.10, the reimbursable meal is the better deal (recommended).
- However, if the price charged for an a la carte sandwich and milk is \$2.60, the reimbursable meal is not the better deal (not recommended).