

**TO** Chief Administrators and Primary Contact for Sponsors of the School Nutrition Programs

**FROM** Vonda Cooke, State Director  
Child Nutrition Programs

**DATE** July 12, 2018

**RE** Revenue from Nonprogram Foods

**MESSAGE:**

This message serves as public notice that the Pennsylvania Department of Education, Division of Food and Nutrition (DFN), as the State Agency, has requested a waiver from the United States Department of Agriculture (USDA) from the requirements for Revenue from Nonprogram Foods.

Specific Program requirements requested to be waived:

7 CFR §210.18 (h)(1) *Resource management*. The State agency must conduct an off-site assessment of the school food authority's nonprofit school food service to evaluate the risk of noncompliance with resource management requirements. If risk indicators show that the school food authority is at high risk for noncompliance with resource management requirements, the State agency must conduct a comprehensive review including, but not limited to, the following areas using procedures specified in the FNS *Administrative Review Manual*...(iii) *Revenue from nonprogram foods*. The State agency must ensure that all non-reimbursable foods sold by the school food service, including but not limited to, a la carte food items, adult meals, and vended meals, generate at least the same proportion of school food authority revenues as they contribute to school food authority food costs, as required in §210.14(f).

The State Agency is requesting the following alternative means for the Administrative Review be allowed to determine if a school food authority (SFA) is achieving the intended outcome of the aforementioned regulation related to Revenue from Nonprogram Foods.

- If an SFA sells all non-program foods at or above cost (documented through a written procedure), the proportion of SFA revenue will always exceed SFA costs, hence meeting the intent of the regulations.
- If an SFA answers yes to question 709 on the Administrative Review Off-site Assessment tool, the State Agency will require the SFA to attest if they sell all nonprogram foods at or above costs. If the SFA attests that all nonprogram foods are sold at or above cost, the State Agency will require the SFA to:



Provide the State Agency with the procedure used for establishing the pricing of non-program foods (adult meal calculation, established mark-up for a la carte foods, etc.)  
Provide the State Agency with their price listing of nonprogram foods that includes the cost per unit, mark-up (percent mark-up or flat fee depending on policy) and selling price.

The State Agency will randomly check 5-10 items from the list to ensure the pricing procedure is being followed. If the SFA indicates that not all nonprogram foods are priced at or above cost or the SFA attested they are pricing all nonprogram foods above cost but does not submit the requested procedure and list of nonprogram foods with cost, mark-up and selling price, the State Agency will initiate a comprehensive review requiring completion of the Nonprogram Food Revenue Tool.

Please note, the State Agency is required to provide public notice regarding the request for a waiver from USDA. The request has not been approved by USDA at this time. We will inform SFA's if the request for a waiver is approved and provide further instructions at that time.