**In a Nutshell.....**

**Guide to Unpaid Meal Charges**

MASBO Conference May 12, 2017

| • New USDA Charged (Unpaid) Meal Policy/Procedures |
| • Delinquent Debt |
| • Bad Debt |
| • Resources |

**New USDA Guidance**

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.
Charged Meals Charge Policy/Procedures

- Policy/procedure must explain how the SFA will handle situations where children eligible to receive paid meals that 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 cash in hand to purchase a full 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/procedure based on student grade level.
- Must be provided in writing (with fall application information mailing, email, back-to-school packet, student handbook, etc.) to all households at the start of each school year and to new households transferring to the school district during the school year. NOTE: Simply posting the policy to the school website does not meet the requirement.
  - SFAs are encouraged to provide the information 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 parents or guardian volunteers, to follow up with debt collection efforts.
  - SFAs are encouraged to review the policy/procedure on a regular basis (e.g., annually or bi-annually).
  - Board approval ("policy") not required but is best practice.

Philosophy of Meal Service
- Offer nutritious meals important to student academic success
- Encourage parents to complete application for meal benefits
- Must not demean or stigmatize students

Meal Payment Process
- Individual district policy

Actual Charge Policy
- Identify if a meal (reimbursable if required components or not) will be provided or not
- Limit the number of charged meals? Vary by grade level?

Notification of Account Status
- Notify household before account is negative
- Notification procedures when account is overdrawn
- Samples in handouts, on website

Collection Procedures on how to recover funds due
- Align with other district fees due i.e. activities, lost text books, band instruments, etc.
- See templates in handouts, MDE website

What is Delinquent Debt?
- When payment is overdue due to meals eaten and money not provided, 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 provided it is still collectable.
- MDE doesn't have specific guidelines on timing, each SFA to create definition of when a debt becomes delinquent.
- Methods of collection are determined by the district but focus is on parents/guardians not students.
- Cost of collection activities are an allowable expense to the Fund 02 school food service account (important distinction).
What is Bad Debt?

- When SFA determines that further collection efforts for a delinquent debt are useless or too costly, the debt must be reclassified as "bad debt."
- When this delinquent debt becomes uncollectable and classified as 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 bad debt costs and losses must be restored to the Fund 02 school food service fund using non-federal funds such as the school district's general fund.
- Once a delinquent meal debt is converted to bad debt, records relating to those charges must be maintained in accordance with the federal record retention requirements.

Resources

- Minnesota Department of Education: http://education.state.mn.us/MDE/dos-FNS-SNP/mgmt/
- SP 23-2017: Unpaid Meal Charges: O and A
- SP 47-2016: Unpaid Meal Charges: Clarification on Collection of Delinquent Meal Payments
- USDA Handbook “Overcoming the Unpaid Meal Challenge”
- Other resources, see handouts or samples:
  - Local meal charge policy checklist
  - Sample outstanding balance letter
  - Sample robocall script

Contact MDE
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