

Milk Programs

Maximum Price to Charge Students

This information applies to organizations and school food authorities that receive reimbursements through the Special Milk Program (SMP) or the Minnesota Kindergarten Milk Program (MKMP), and need to charge some amount to households to help cover the costs of the program. (When milk served to kindergarten students will be claimed for both SMP and MKMP reimbursements, there may be no charge to households for the milk.)

SMP regulations require participating organizations and school food authorities to operate a “nonprofit milk service.” This requirement also applies to MKMP.

- *Nonprofit milk service* means milk service maintained by or on behalf of the school or child-care institution for the benefit of the children, all of the income from which is used solely for the operation or improvement of such milk service. 7 CFR § 215.2

To meet the requirement of operating a nonprofit milk service that is for the benefit of the children, any milk price charged to households may be set no higher than the “break-even price.”

- The “break-even price” is the price that is set by the organization or school so that total revenues for the milk program (program reimbursements plus any milk charge to households) do not exceed total costs for the program (milk costs plus storage/handling/administration costs).
- Storage/handling/administration costs may be estimated at no higher than 10 cents per one-half pint of milk.

Example: (use your own costs and current reimbursement rate)

1. Costs per one-half pint of milk:
Average cost per one-half pint of milk \$.275 (use your average milk cost)
Add for storage/handling/administration +\$. 08 (use your estimated cost; \$.10 maximum)
Total costs per one-half pint of milk \$.355
2. Subtract program reimbursement -\$.2025 (use current milk reimbursement rate)
3. Maximum price to charge households =\$.1525 (may be rounded up to nearest cent)

Credit or Refund for Overcharges / Prepayments

If households have been charged a milk price that exceeds the maximum price as calculated above, the organization must either:

- Reimburse households for amounts overcharged, or

- Provide credits that household can use for future servings of milk (only if credits can be used in the same program year).

If prepayments are collected from households for the amount of milk expected to be served during the year (or other period of time), the organization or school must conduct a reconciliation at least annually. If prepayments are found to have exceeded actual milk usage (actual number of one-half pints of milk served times milk charge), reimbursement or credit must be provided to households as described above.

Maintain documentation of any reimbursements or credits provided to households.