Minnesota Department of Education

Summary of Provision 2 and 3

Purpose

Provisions 2 and 3 are part of the regulations for claiming reimbursement for free and reduced-price meals in the National School Lunch Program and School Breakfast Program. These provisions offer reductions in program record keeping and reporting requirements to schools that are able to offer free school meals to all students.

Advantages of Provision 2 or 3:

- The school takes total meal counts instead of meal counts by category (free, reduced-price, paid).
- Claim procedures are simplified.
- The school stops collecting Applications for Educational Benefits. (This is not applicable to public schools, which have to continue to annually collect Applications for Educational Benefits for reasons outside of school meal programs.)

Under Provision 2 or 3, the school offers free meals to all students regardless of their eligibility for free, reduced-price, or paid meals. However the meals are not all claimed as free meals for federal and state reimbursement. Claiming procedures for Provision 2 and 3 ensure that federal and state reimbursements continue to be paid in a manner that reflects the actual eligibility levels of participating students.

To the extent that a Provision 2 or 3 school is serving free meals to students eligible for paid or reduced-price meals, the school must subsidize those meals by replacing the student payments that are no longer received. These subsidies must be provided from non-federal funds. For this reason, Provisions 2 and 3 are effectively limited to schools that have free school meal eligibility in the 90-100 percent range, or small sites with only a few students who are not approved for free meals. See page 5 for a table used to estimate a school's costs for operating Provision 2 or 3.

The school food authority decides which sites and which meal services will operate under Provision 2 or 3 procedures. For example some schools offer breakfast under Provision 2 or 3 procedures and lunch under standard counting and claiming procedures.

Base Year

Before a Provision 2 or 3 school can begin to use the simplified counting and claiming procedures, it must establish a "base year" during which all students are offered meals at no charge. During the base year, point of service meal counts are taken to determine the number of meals served by category (free, reduced-price, or paid). For Provision 3 only, a school that

has already been offering free meals to all students for at least a year may use the last full year as its base year.

At the end of the base year, the claims are used to determine the school's average monthly meal participation while all meals were being offered free of charge. For Provision 2, the base year claims are used to determine the average percentages of meals that were served by category (free, reduced-price, paid) at the school. For Provision 3, the base year claims are used to determine the average number of meals that were served by eligibility category at the school.

Provision 2 – Non-Base Year Record Keeping and Reimbursements

For the years that follow the base year ("non-base" years) in Provision 2, the school only needs to count and report the total number of meals (not by eligibility category) served at the point of service each month. The Cyber-Linked Interactive Child Nutrition System (CLiCS) takes the total monthly meal count reported by the school and, using the base year percentages, separates the claim into the numbers of free, reduced-price, and paid meals to be reimbursed.

Provision 3 – Non-Base Year Record Keeping and Reimbursements

For the years that follow the base year ("non-base" years) in Provision 3, CLiCS automatically generates claims for the school based on the number of meals by category that were claimed during the base year. Claim numbers are adjusted once a year by an "enrollment factor" that takes into account fluctuations since the base year in the number of enrolled students at the school and/or the number of serving days.

Although with Provision 3 the school's reimbursements are not based on current meal counts, the school must continue to take total (not by eligibility category) meal counts at point of service in order to monitor the accuracy of Provision 3 reimbursements. Total daily student meal counts are kept on file at the school and must be reported to the Minnesota Department of Education (MDE) Food and Nutrition Service (FNS) only if there is a significant discrepancy (for example 10 percent) between the number of meals being reimbursed under Provision 3 procedures and the number of meals actually being served.

Record Retention

A school food authority must retain all base year and extension records for both Provision 2 and Provision 3 during the period the provision is in effect plus three fiscal years after the submission of the last claim for reimbursement.

Applications for Educational Benefits

Applications for Educational Benefits are not needed for school meal purposes during non-base years at sites that operate all meal services under Provision 2 or 3 procedures. However, public schools are required to collect Applications for Educational Benefits every year in order to document the "economic indicator" of students on the Minnesota Automated Reporting Student System (MARSS) data which in turn generates public school aids such as compensatory revenue. Nonpublic schools and residential child care institutions operating under Provision 2 or

3 for all meal services can stop collecting Applications for Educational Benefits or maintaining any school meal eligibility data on students in non-base years.

Extension of Provision 2 or 3 Cycle

At the end of the initial cycle (base year plus non-base years) or a subsequent four-year cycle, FNS may approve a school to continue under Provision 2 or 3 for another four-year cycle using the original base year. An extension is approved if the school can establish through available and approved socioeconomic data that the income level of the school's population, as adjusted for inflation, has either remained the same, declined, or improved no more than five percent since the base year. Extensions can be granted indefinitely for four-year periods as long as the socioeconomic data shows little improvement since the base year.

An extension is not granted when the socioeconomic data shows that the income level of the school's population, after adjusting for inflation, has improved more than five percent since the base year. When an extension is denied, the school must either return to standard meal counting and claiming procedures or establish a new Provision 2 or 3 base year. There are two ways that a new base year can be established by a school that has already been participating in Provision 2 or 3:

- A full base year may be established in the same manner as the original base year (see instructions above) or
- With approval from FNS, a "streamlined" base year may be established by developing either enrollment-based or participation-based claiming percentages (refer to 7 CFR 245.9 for details). A "streamlined base year" does not actually take a year but only a short period of time at the beginning of the year to either sample the income levels of the current population or sample the actual meal participation by category (free, reduced-price, paid) for a period of at least two weeks. A public school conducting a streamlined base year would not need to conduct any sampling because it would use the enrollment-based data from its currently approved Applications for Educational Benefits.

Is Provision 2 or 3 for Our School?

All schools that participate in Provision 2 or 3 benefit in non-base years from simplified meal counts and simplified claiming. Nonpublic schools and residential child care institutions also benefit from eliminating the collection or maintenance of data on eligibility for free/reduced meals.

The cost side of participating in Provision 2 or 3 is measured by how much the school will no longer receive in student payments from students eligible for reduced-price and paid meals. The table on the next page can be used to estimate these costs.

Cost Estimate for Provision 2 or 3 – Lunch

Estimated number of meals served to students eligible for paid and reduced-price meals	**Rate (of student payments no longer received)**	**Total amount subsidized by school (meals x rate)**
Lunches – estimated number to be served to students eligible for paid meals:*_____	$ 0.40 _____**	$ 0 _____
Lunches – estimated number to be served to students eligible for reduced-priced meals:*_____	$ .40 _____	$ 0 _____

Total school subsidy for lunches served to students eligible for reduced-price and paid lunches: 0.00 $_____

* Estimate the number of lunches that will be served to students eligible for reduced-price and paid meals *when all lunches are being served free of charge*.

** The regular lunch price that students will pay if the school is not on Provision 2 or 3.

Cost Estimate for Provision 2 or 3 - Breakfast

Estimated number of meals served to students eligible for paid meals*	**Rate (of student payments no longer received)**	**Total amount subsidized by school (meals x rate)**
Breakfasts – estimated number to be served to students eligible for paid meals:** _____	$_____***	$ 0.00 _____

* Estimate does not apply to reduced-price breakfast. The sponsor will continue to receive the state aid payment of $.30 per reduced-priced breakfast.

**Estimate the number of breakfasts that will be served to students eligible for paid meals *when all breakfasts are being served free of charge.*

** The regular breakfast price that students will pay if the school is not on Provision 2 or 3.

Comparison of Provisions 2 and 3

Base Year Requirements **(same for Provisions 2 and 3)**	• **Meals at no charge:** Serve meals at no charge to all students, whether they are eligible for free, reduced or paid meals, during the base year (and following years) for the meal service(s) that will operate under Provision 2 or 3. For Provision 3 only, a school that has already been serving free meals to all students may use the last full year as a base year. • **Applications for Educational Benefits:** Even though all meals are served at no charge, Applications for Educational Benefits must be distributed to all households as usual during the base year in order to be able to document the number of meals served in each category (free, reduced price and paid). • **Daily records:** Record the number of free, reduced and paid student meals served daily. • **Monthly records:** Report the actual number of free, reduced price, and paid student meals served each month using standard claiming procedures on the on-line Claim for Reimbursement.

Options	Provision 2	Provision 3
Base Year Data	• After the base year is completed, the base year claims are used to determine the *average percentages* of meals claimed for free, reduced-price, and paid reimbursement.	• After the base year is completed, the base year claims are used to determine the *average numbers of meals* claimed for free, reduced-price, and paid reimbursement.
Records in Non-Base Years	• Record the *total* number of student meals (not by eligibility category) served daily for the Provision 2 meal service(s) • Applications for Educational Benefits are not needed.*	• Record the *total* (not by eligibility category) number of student meals served daily for the Provision 3 meal service(s). • If the school finds a significant discrepancy (for example 10%) between the amount of reimbursement received and the actual meal count then the school must notify FNS for evaluation. • Applications for Educational Benefits are not needed.*
Claims and Payments in Non-Base Years	• Submit the *total* number of meals for Provision 2 meal service(s) on CLiCS each month. Using the base year percentages, CLiCS automatically subdivides the total meal count into the number of free, reduced price, and paid meals to be reimbursed.	• Monthly claims are generated automatically in CLiCS based on the average base year claim, as adjusted with the current-year "enrollment factor" for any changes to the school's enrollment or number of serving days since the base year.

* Public schools are required to continue to collect Applications for Educational Benefits every year in order to determine students' "economic indicator" on MARSS data, which directs state aids such as compensatory revenue.