

# Non-Program Revenue - FAQ

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**1. What is the purpose of the revenue from nonprogram foods provisions?**

To ensure that revenues from the sales of nonprogram foods generate at least the same proportion of SFA revenues as they contribute to SFA food costs.

**2. What is considered a nonprogram food?**

For the purposes of this provision a nonprogram food is a food (including beverages) that is sold in a participating school other than a reimbursable meal and is purchased using funds from the school food service account of the school.

These include but are not limited to:

- ✓ A la carte items sold in competition with school meals;
- ✓ Adult meals;
- ✓ Items purchased for fundraisers, vending machines, school stores, etc.; and
- ✓ Items purchased for catering and vended meals.

**3. What is considered revenue?**

Revenue is all money that is provided to the nonprofit school food service account.

This includes but is not limited to:

- ✓ Federal reimbursement;
- ✓ State or local funds, such as per meal subsidies and State revenue matching funds;
- ✓ Children’s payments for reimbursable meals and a la carte sales;
- ✓ Payments for items purchased for fund raisers, vending machines, etc.; and
- ✓ Income from catering, adult meals, vended meals, etc.

**4. How does a SFA determine the “cost to obtain” a nonprogram food?**

The cost to obtain a nonprogram food includes only the cost of the food. If a nonprogram food is made from scratch, the SFA would determine the price of ingredients to calculate the food cost. The SFA should not include labor or other costs in this calculation. This same principle applies to calculating program food costs for the purpose of this provision.

**5. How does a SFA determine whether it is in compliance with the Revenue from Nonprogram Foods Sold in Schools provision?**

The SFA would determine its total food cost and the proportion of that total that is nonprogram food. The SFA would then calculate the share of total revenue generated from nonprogram food sales over the same period. If the second figure is at least as great as the first figure, then the SFA is generating sufficient revenue from nonprogram food sales.

The following example shows how this provision is applied. An SFA has the following characteristics:

Total Costs:	\$1,000,000
Total Food Costs:	\$ 500,000
Cost of food for reimbursable meals:	\$ 450,000
Cost of nonprogram food:	\$ 50,000
Total Revenue:	\$1,000,000

Revenue Requirement:

Minimum proportion or revenue required from the sale of nonprogram foods:

$$\$50,000/\$500,000 = 10\%$$

Minimum dollar revenue required from the sale of nonprogram foods:

$$10\% \times \$1,000,000 = \$100,000$$

If this SFA earns \$100,000 in revenue from nonprogram food sales, they are in compliance.

**6. Can an SFA price some nonprogram foods lower than their actual cost?**

Yes, as long as the total revenue generated from all nonprogram food sales meets the proportional requirement described above

**7. What period of time should be included in the calculations?**

The SFA uses the revenue and costs for a school year to calculate revenue targets. For SY 2013-2014, the revenue and costs for SY 2012-2013 are used. In cases where the prior year is not reflective of the typical school year (e.g., a school opens in the middle of the school year or is closed for a portion of the year due to a disaster), the SFA could use their Fiscal Year, a representative month multiplied by the number of months in the school year or another method as approved by the State agency.

**8. How are SFAs to implement this requirement for SY 2013-2014?**

All SFAs must do the revenue calculations. If the proportion of revenue is equal to or greater than the proportion of the food costs, no additional action is needed. If not, the SFA must review the prices charged for nonprogram foods and make necessary adjustments. If there are extenuating circumstances which prevent immediate corrective action, such as an inability to obtain necessary School Board approvals, these factors should be discussed with the SA and an appropriate corrective action plan must be developed.

**9. How are SFAs to track nonprogram food sales and revenues?**

SFAs that do not already have systems in place to track nonprogram food sales and revenues should work with their SAs to develop plans to improve their recordkeeping systems. FNS will also provide further guidance in this area.

**10. What are some resources for SFAs as they work to implement section 206 and determine how to price nonprogram foods?**

SFAs may want to consult guidance from the National Food Service Management Institute (NFSMI). While NFSMI does not currently have guidance specific to section 206, they do have guidance on nonprogram food pricing and school food service account management. SFAs may find this information helpful as they price their nonprogram food.

**NFSMI Financial Management Information:**

<http://www.nfsmi.org/documentlibraryfiles/PDF/20080225031916.pdf>

Please note however that SFAs should ensure that they are in compliance with the requirements of section 206 when using any outside resource.