

Commissioner's Memo
3/20/2023

Provision 2 USDA Alternative for Feeding Students at No Charge in High Poverty Population Areas

Memo Information

Memo Number **CNU-23-016**

Memo Date 3/20/2023

Memo Type Regulatory

Unit Child Nutrition

Regulatory Authority § 7 CFR 245; Section 11 (a)(1) of the Richard B. Russell National School Act (42 USC 1759a); § 7 CFR 210, 220; Section 104(z) of the Healthy, Hunger-Free Kids Act of 2010; Public Law 111-296; USDA Memo SP 26-2016; SP 19-2016; SP 14-2016; SP 54-2016; SP 61-2016

Response Required NO

Attention Child Nutrition Directors/Managers; Superintendents

Primary Contact Information

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Memo Text

The purpose of the memo is to provide information to school food authorities/local education agencies (SFA/LEA) regarding the option to participate in the United States Department of Agriculture (USDA) Special Assistance Alternative called Provision 2. This provision allows school districts to serve reimbursable school meals at no charge to all students.

Provision 2 Alternative:

This is a four (4) year cycle with the first year considered the "base year" and the following three (3) years considered "non-base years".

For the entire four (4) year Provision 2 cycle, NO changes can be made in student populations or facilities that will impact/change economic distribution of the students established in the "base year".

Before applying for Provision 2 Alternative, carefully review the [USDA Guidance for Provision 2](#).

Districts must have prior approval from the Division of Elementary and Secondary Education (DESE), Child Nutrition Unit (CNU) prior to beginning Provision 2.

There is no requirement that a minimum percentage of children enrolled are eligible for free or reduced price meals. However, the school must be prepared to pay the difference between Federal reimbursement and the cost of providing all meals at no charge from sources other than Federal funds.

Base Year:

During the base year, student eligibility status is determined in the same manner as regular pricing schools (Free and Reduced Meal Applications, Direct Certification, Categorically eligible).

During the base year:

- A public notification is required to inform the public and student households that during the "base year" all students in the Provision 2 schools/district will eat at no charge regardless of whether the meal applications are returned for approval or denied.
- Free and Reduced Meal Applications are distributed and approved by eligibility category (Free 01, Reduced 02, and Paid 03) and coded in eSchool and the Point of Service System (POS) by eligibility category.
- Districts must access the Direct Certification Portal and code all enrolled students listed as an "Exact Match" as 04.
- Meals are served and counted at the point of service by eligibility category;
- All students are provided meals (breakfast and lunch) at no charge to the household;

however,

- Meals are claimed/reimbursed using Free, Reduced, and Paid rates based on the actual meal participation.
- Districts will conduct the verification of eligibility process on approved applications.
- District must retain specified base year records for the entire period that the school operates under Provision 2 (base year plus all extensions), plus five(5) years, or longer if there are audit findings and until resolution of the findings.

Non-Base Years:

During the non-base years (years after the base year), no new student eligibility determinations are made using household meal applications. The district is required to access the Direct Certification Portal and code students appearing as an "Exact Match" as 04 in eSchool and the POS. All other students are coded as FREE 01.

Counting and Claiming:

Claiming percentages are determined during the base year based on participation. Those percentages are applied in the three (3) non-base years following implementation. The district will receive a separate Free, Reduced and Paid claiming percentage for breakfast and lunch.

Meal counts are taken at the point of service and claiming percentages are applied to aggregate counts to determine the meals claimed/reimbursed. Federal reimbursement is determined by multiplying the per meal claim rate and the total number of meals served each month by each claiming percentage.

Financial internal controls must be in place to prevent an over-claim or under-claim payment and to substantiate meal counts. School districts that have internal control findings through legislative audit or administrative review may not be allowed to use the Provision 2 alternative.

Extensions:

Districts may apply for one (1) four (4) year extension utilizing the same claiming percentages if the economic conditions of the area have not changed. If economic conditions worsen, the district may choose to establish a new base year, move to another provision, or return to standard claiming by taking applications. The district does not have to wait until the end of the four year cycle to make that change. Districts may apply for additional four (4) year cycle extensions if conditions have not changed.

District Obligation:

Since no student payments can be collected from the paid or reduced students in Provision 2 schools, there will be a revenue reduction to the district child nutrition program.

If reimbursements and/or other program income are not sufficient to cover total nonprofit school food service program costs, the LEA must pay, with funds from non-Federal sources, the difference between the cost of serving lunches and/or breakfasts at no charge to all participating children and the Federal reimbursement (7 CFR 245.9(b)(2)).

To receive Provision 2 information, please provide a written request for information to Donna Ratliff at donna.ratliff@ade.arkansas.gov

Attachments

- [Attachment_A_P2_Question_and_Answers_154019.pdf](#)
- [Attachment_B_Provision_2_Timeline_154144.pdf](#)