

New CEP Update: Let's Get Budgeting!

November 7, 2023

Demystifying the financial impact of the new
Community Eligibility Provision update



Agenda



- What is CEP?
- CEP Growth
- Previous Requirements
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- Let's Talk Money
- Benefits of CEP
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- What are we Seeing?
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What is CEP?

The [Community Eligibility Provision \(CEP\)](#) is a federal program that allows eligible [School Food Authorities \(SFAs\)](#) to offer free meals to all students, regardless of their family's income. The program is aimed at reducing the administrative burden of managing the meal program and ensuring that children in high-need areas have equitable access to nutritious school meals.

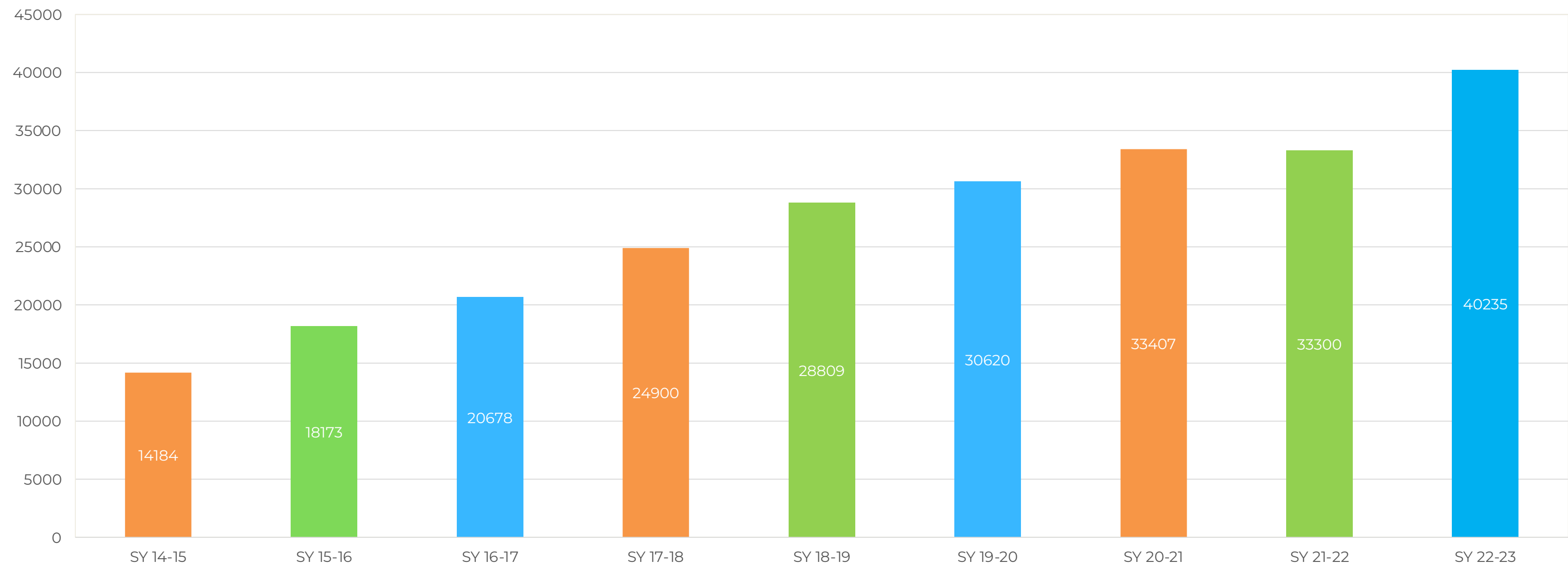
Program regulations include:

1. Ensuring all students eat for free
2. Schools can count meals served rather than tracking by student name
3. Claims for reimbursement are based on meal counts
4. No longer collecting student meal payments or FRL applications
5. No longer conducting student Verification

Approval for [CEP](#) is valid for four years and you must recertify your percentage when renewing. [SFAs](#) can also cluster schools within the [SFA](#) and not every school has to be on [CEP](#).

CEP Growth

Participation in CEP has continued to grow since expanding nationwide in SY 14–15. In SY 22-23, there was a significant increase in the number of schools and districts participating in the program, most likely due to the passing of Universal Meals in several states. Growth in those states is expected to grow YoY.

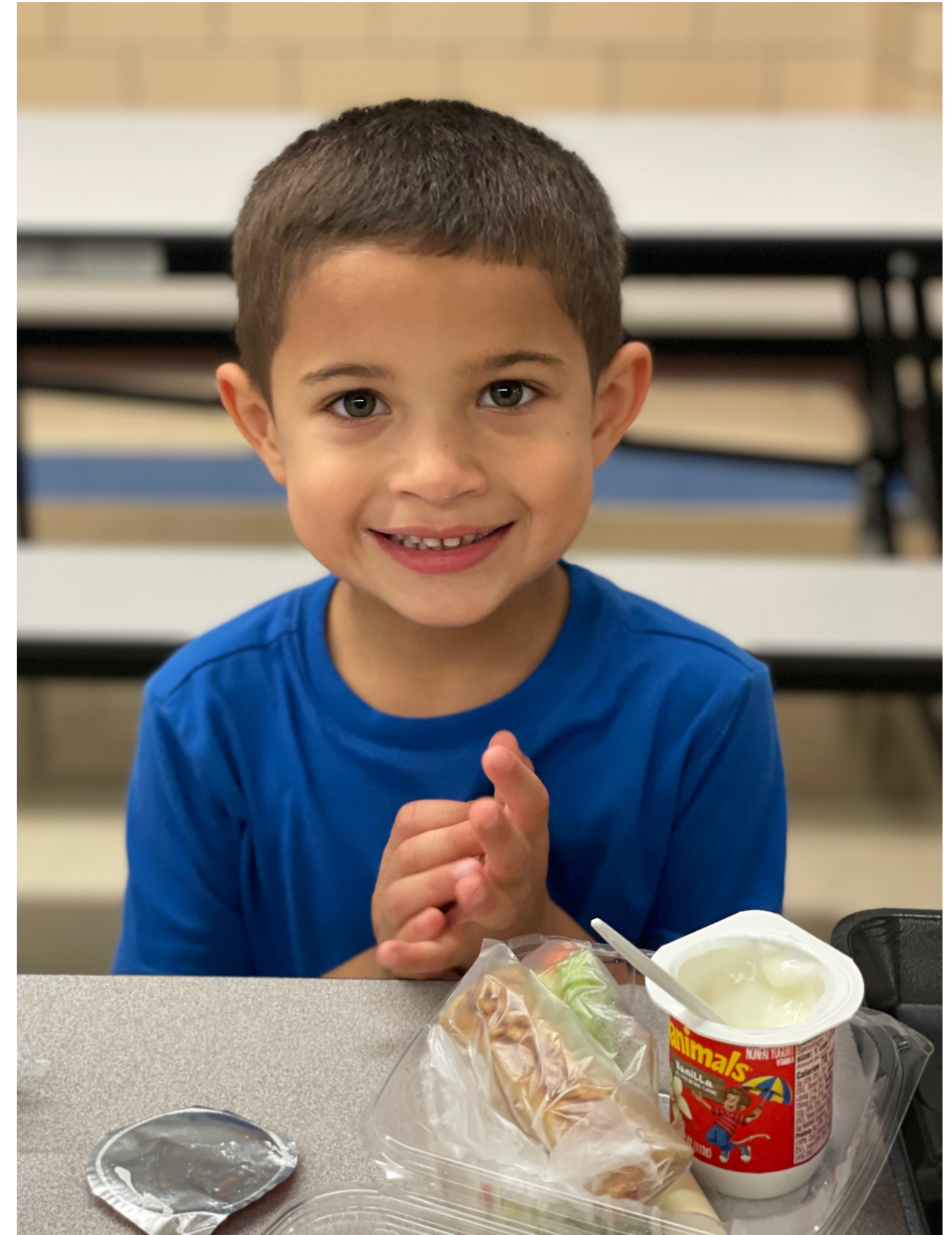


Previous Requirements

CEP Requirements Prior to 2023

- Schools needed to have an Identified Student Percentage (ISP) of at least 40% to qualify for CEP; via Direct Certification (DC)
- DC students were certified by the State as recipients of SNAP, TANF, Medicaid, or Homeless, Runaway, Foster
- ISP was multiplied by USDA Multiplier of 1.6 to determine CEP eligibility
- For example: 57% ISP x 1.6 Multiplier = 91.2% CEP rate

91.2% of meals served at this school will be reimbursed at the **FREE** rate with the remainder of meals reimbursed at the **PAID** rate.





Updated Requirements

New Requirements Starting October 2023

- Schools now only need to have an Identified Student Percentage (ISP) of at least 25% to qualify for **CEP**; via Direct Certification (DC)
- USDA Multiplier is still 1.6
- ISP is multiplied by USDA Multiplier of 1.6 to determine **CEP** eligibility
- For example: 25% ISP x 1.6 Multiplier = 40% **CEP** rate

40% of meals served at this school will be reimbursed at the **FREE** rate with 60% of meals reimbursed at the **PAID** rate.

Let's Talk Money

Although meals are offered at no charge to students in schools that participate in CEP, federal reimbursements are based on the proportion of children from households with low incomes in the school. The ISP is multiplied by 1.6 to calculate the percentage of meals reimbursed at the federal Free rate, and the remainder of meals are reimbursed at the lower Paid rate. Under CEP, no meals are reimbursed at the Reduced rate.

65% Direct Certification	45% Direct Certification	25% Direct Certification
Identified Student Percentage: 1.04	Identified Student Percentage: .72	Identified Student Percentage: .40
• 20,000 lunches served yearly • \$4.35 Free lunch reimbursement (100%) • \$.50 Paid lunch reimbursement	• 20,000 lunches served yearly • \$4.35 Free lunch reimbursement (72%) • \$.50 Paid lunch reimbursement (28%)	• 20,000 lunches served yearly • \$4.35 Free lunch reimbursement (40%) • \$.50 Paid lunch reimbursement (60%)
Total Reimbursement: \$87,000	Total Reimbursement: \$62,640 + \$2,800 = \$65,440	Total Reimbursement: \$34,000 + \$6,000 = \$40,000
Expenses: \$87,000	Expenses: \$87,000	Expenses: \$87,000
General Fund Transfer: \$0	General Fund Transfer: \$21,560	General Fund Transfer: \$47,000

Benefits of CEP

Move to counting meals only

- Removes stigma of receiving free meals at school; every student can now receive a free meal regardless of eligibility
- Speeds up cafeteria lines by only needing to report meal counts instead of needing to capture each student's eligibility status

Reduces some admin work

- No longer processing FRL forms and needing to send letters home
- No longer conducting Verification and contacting parents notifying them of eligibility status
- No longer charging families for meals, needing to invoice families, or chasing late payments



Things to Consider

You may still benefit from a POS

- Ability to track meals and data (i.e., parents may want to know when their child ate)
- Reduce compliance issues with second meals, ensuring 1 meal per student is tracked accurately
- Helps track a la carte charges and is a method of collecting payments
- Helps tracking for adult meals and charges

You still need to collect Income Forms and have a method to process them!



What are We Seeing?

Trends across the country

- Some **SFAs** have opted into **CEP** with a Direct Certification between 40-50% and have subsidized the deficit with general funds – mainly due to allowing all students to eat at no cost. This brings equity to their student population and has helped with family engagement and enrollment retention.
- Staff have saved a significant amount of time by not needing to collect payments, managing the POS, and collecting and verifying meal programs each year. This can help lower labor costs.

Key takeaway

It is financially challenging to move to implement **CEP** with <50% DC due to the low USDA multiplier of 1.6.



States with “Universal Free” Legislation

What does the new CEP update look like in states with UMP?

- Federal dollars will still only fund the Free/Reduced/Paid reimbursement rates
- If you are in a state where your State Agency is funding the full balance for CEP reimbursements, your financial scenario is much different!
- State General Fund (list States) are giving SFAs the difference to ensure all meals are reimbursed at the maximum, Free rate
- In these States, CEP should be seriously considered as it is fully funded and will provide maximum reimbursements for meals served
- We are encouraging SFAs to still hold on to their POS and data tracking as it is unknown whether states will continue to fund the full amount. It will keep your school in the habit and process of using the POS



Program Implementation and Timeline



- All **CEP** eligibility requirements for SY 24-25 will be based on school data from as of April 1, 2024
- This will include enrollment as of April 1 and Direct Certification results throughout SY 24-25
- Most states require the **CEP** application to be submitted by June 30 (2024) for SY 24-25

Contact your local state agency representative for specific deadlines and deliverables!

Our Thoughts

Next steps to determine if CEP is right for your SFA

Meet with your Finance team to understand fiscal impacts

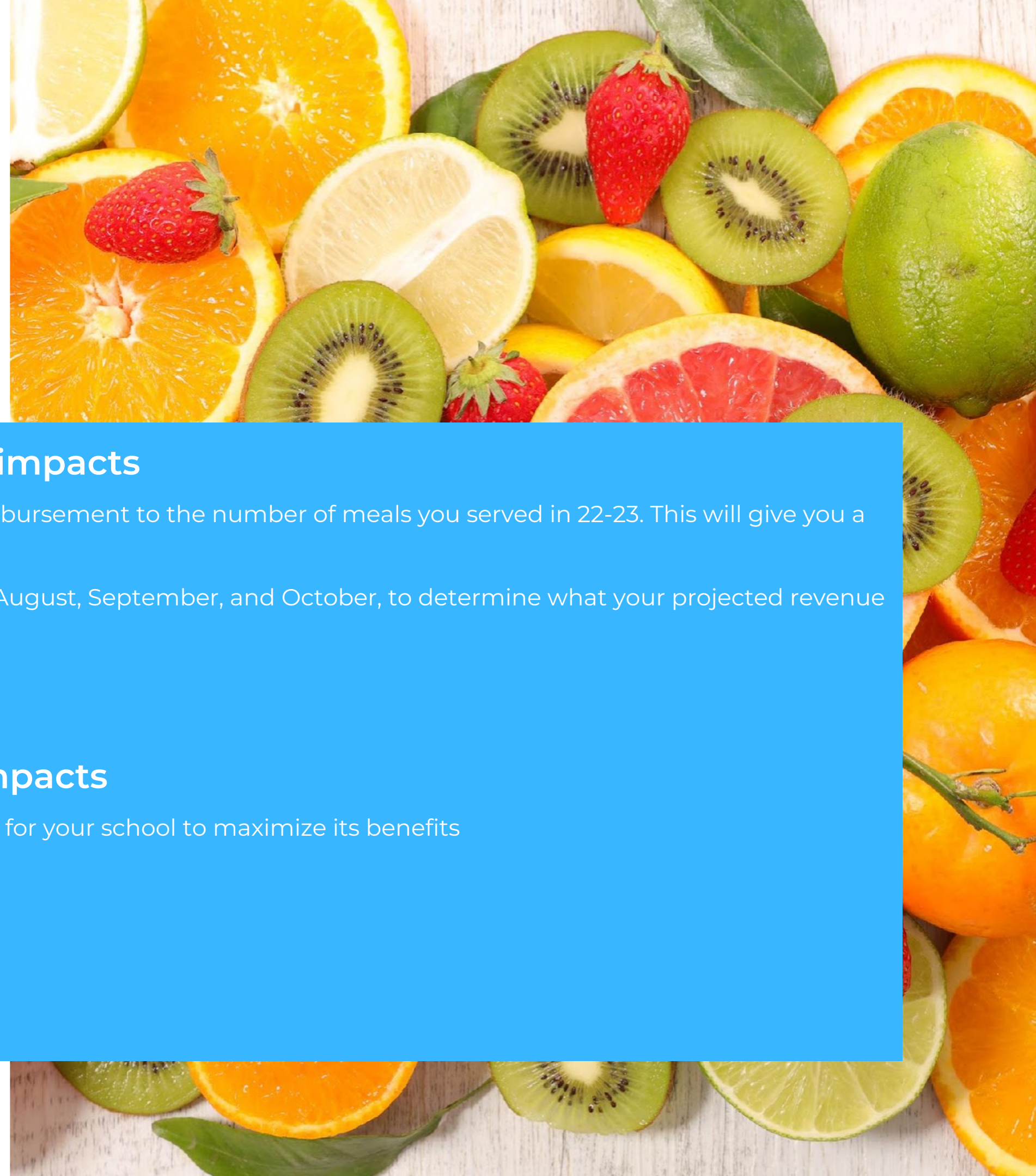
- Use your April 1, 2023, Direct Certification % and apply the hypothetical reimbursement to the number of meals you served in 22-23. This will give you a picture of what your budget would have been.
- As an alternative: Project SY 23-24 using your meal participation data from August, September, and October, to determine what your projected revenue would be.
- Aim for sustainability – forecast 3-5 years out!

Meet with Administrators to discuss operational impacts

- Ultimately **CEP** must make financial sense and be operationally sustainable for your school to maximize its benefits

More resources at USDA website:

<https://www.fns.usda.gov/cn/community-eligibility-provision-resource-center>



Questions?

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