

Community Eligibility Provision, Provision 2 and Provision 3 Summary

Purpose

The Community Eligibility Provision (CEP), and Provision 2 and Provision 3 are part of the regulations for claiming reimbursement for meals served 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 meals at no charge to all students.

Advantages of CEP, Provision 2 and Provision 3:

- *The school can take a total meal count instead of a meal count 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 must continue to annually collect Applications for Educational Benefits for reasons outside of school meal programs.)*

Under CEP, Provision 2 or Provision 3, the school offers meals at no charge to all students regardless of their eligibility for free, reduced-price, or paid meals. However the meals are not all claimed as free for federal and state reimbursement. Claiming procedures 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 CEP, Provision 2 or Provision 3 school is serving meals at no charge to students who would normally pay for 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, a school considering CEP, Provision 2 or Provision 3 must determine that it has sufficient nonfederal funds to subsidize the meals. See page 5 for a table used to estimate a school's costs for operating CEP, Provision 2 or Provision 3.

The school food authority decides which sites will participate in CEP, Provision 2 or Provision 3. Residential Child Care Institutions (RCCIs) are not eligible to participate in CEP. To be eligible for CEP, a school must participate in both the School Breakfast and School Lunch Program. For Provision 2 or Provision 3, a site may choose which meal services will operate under Provision 2 or Provision 3 procedures. For example, some schools may offer breakfast under Provision 2 or Provision 3 procedures and lunch under standard counting and claiming procedures.

CEP – Establishing Eligibility and Claiming Rate

To participate in CEP, a single school or group of schools must have an identified student percentage (ISP) of at least 40 percent on April 1 of the prior school year. To calculate the ISP in a school or group of schools, determine the number of students enrolled (those who have

access to either breakfast or lunch) in the school/group of schools on April 1 and then determine how many of those students are 'identified'. Identified students are students certified for free meals based on a source other than a paper Application for Educational Benefits. This includes students who are directly certified, those who share a household with someone who is directly certified, head start/even start/early start students, students classified as homeless, migrant, or runaway, and foster children. The number of identified students should then be divided by the number of enrolled students to determine the ISP.

The ISP is used to determine the percentage of free meals that a school/group of schools will claim. Under the CEP, schools claim reimbursable meals served at either a 'free' or 'paid' rate of reimbursement. The 'free' claiming rate is calculated by multiplying the ISP by the USDA determined multiplier, which for school year 2014-15 is 1.6. This number is the percentage of meals that can be claimed at the 'free' rate, with the remainder of meals claimed at the 'paid' rate. A school may apply to have their CEP claiming rate increased if the percent of identified students rises from one year to the next.

Schools and districts can improve their chances of qualifying for CEP or increase their free claiming percentage by finding all 'identified' students in the district. Strategies to increase the number of identified students include regularly updating direct certification data matches from the Minnesota Department of Education (MDE), and extending eligibility to all children in a household where another child is already directly certified. Direct Certification identifies students who participate in the Supplemental Nutrition Assistance Program (SNAP) or Minnesota Family Investment Program (MFIP). Schools and districts can also work in coordination with homeless liaisons, local shelter directors, migrant education coordinators, foster care agencies, and Head Start agencies to identify additional children.

Provision 2 or Provision 3 – Base Year

Before a Provision 2 or Provision 3 designated 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 reimbursable student 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 enrollment fluctuations since the base year and/or the number of serving days.

Although the school’s reimbursements are not based on current meal counts with Provision 3, 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 MDE, Safety, Health and Nutrition 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 identified student lists, base year and extension records for CEP, 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 CEP, Provision 2 or Provision 3 procedures. However, public schools are required to collect Applications for Educational Benefits every year in order to document the student’s “economic indicator” on the Minnesota Automated Reporting Student System (MARSS). The MARSS generates public school aids such as compensatory revenue. MDE School Finance provides an Alternate Application for Educational Benefits for use by CEP, Provision 2 and Provision 3 schools.

Nonpublic schools operating under CEP, Provision 2 or Provision 3, and RCCIs operating under Provision 2 or Provision 3 for both breakfast and lunch can stop collecting Applications for Educational Benefits and maintaining school meal eligibility data on students in non-base years.

Extension of CEP, Provision 2 or Provision 3 Cycle

At the end of the initial cycle (base year plus non-base years) or a subsequent four-year cycle, MDE may approve a school to continue under CEP, Provision 2 or Provision 3 for another four-year cycle using the current ISP or original base year data. For CEP, an extension is approved if the school, or group of schools, continues to meet the minimum ISP (40 percent). For Provision 2 or Provision 3, 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.

Under CEP, if a school's ISP at the end of the initial cycle is between 30-40 percent, a school is granted a 'grace period' for one year to increase the ISP to 40 percent or more. If a group of schools are operating under CEP and one school in the group either drops, closes or is added, the entire group's 'claiming percentage' must be reestablished.

Under Provision 2 or Provision 3, 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 5 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 Provision 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 Provision 3:

- *A full base year may be established in the same manner as the original base year (see instructions above) or*
- *With approval from MDE, 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 Alternate Applications for Educational Benefits.*

Is CEP, Provision 2 or Provision 3 a Good Choice for Our School?

All schools that participate in CEP, Provision 2, or Provision 3 benefit from simplified meal counts and simplified claiming in non-base years. Simplifying meal counting procedures can allow schools to more easily implement alternate meal service options, such as breakfast in the classroom or strategically placed breakfast carts, which can increase participation and therefore increase reimbursement. Nonpublic schools and RCCIs also benefit from eliminating the collection or maintenance of data on eligibility for free and reduced-price meals.

The cost of participating in CEP, Provision 2 or Provision 3 is measured by the amount of revenue the school will no longer receive in student payments from students eligible for paid meals. The table on the next page can be used to estimate these costs. USDA has developed a tool for schools to estimate their reimbursement and additional costs under CEP. It is important to consider the potential increase in participation when estimating reimbursement. [View the USDA CEP Calculator](#) (Estimator).

Cost Estimate for CEP, Provision 2 or Provision 3 – Lunch

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)
Lunches – estimated number to be served to students eligible for paid meals.** _____	\$ _____ ***	\$ _____

* Estimate does not apply to reduced-price lunch because state aid payments cover the cost of these meals and students cannot be charged.

** Estimate the number of lunches that will be served to students eligible for 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 CEP, Provision 2 or Provision 3.

Cost Estimate for CEP, Provision 2 or Provision 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.** _____	\$ _____ ***	\$ _____

* Estimate does not apply to reduced-price breakfast because state aid payments cover the cost of these meals.

** 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 CEP, Provision 2 or Provision 3.

Comparison of CEP, Provisions 2 and 3

<p>CEP</p> <p>Establishing eligibility, and meal counts/claims in the first year of operation</p>	<ul style="list-style-type: none"> • Identify students enrolled on April 1 who are certified for free meals without a traditional application. Divide the number of identified students by the total student enrollment. Schools must have 40 percent or more identified students. For grouped schools, divide the total identified students by the total of enrolled students. Multiply the identified student percentage by USDA multiplier of 1.6. This is the free claiming percentage. • Meals at no charge: Serve meals at no charge to all students, whether they are eligible for free, reduced-price or paid meals. • Daily records: Record the total number of reimbursable student meals served daily for each CEP meal service. • Monthly records: Maintain claims edit check documentation; the purpose of an edit check is to ensure that daily and monthly meal counts do not exceed the number of participating students. Report the number of meals served each month on the on-line Claim for Reimbursement. Specific guidance is provided to each sponsor participating in CEP.
<p>Provisions 2 and 3</p> <p>Base Year requirements</p>	<ul style="list-style-type: none"> • Meals at no charge: Serve meals at no charge to all students, whether they are eligible for free, reduced-price or paid meals, during the base year (and following years) for the meal service(s) that will operate under Provision 2 or Provision 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-price and paid reimbursable student meals served daily. • Monthly records: Maintain claims edit check documentation; the purpose of an edit check is to ensure that daily and monthly meal counts do not exceed the number of participating students. 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.

Option	CEP	Provision 2	Provision 3
Ongoing records	<p><i>Record the total number of reimbursable student meals (not by eligibility category) served daily for each CEP meal service.</i></p> <p><i>Maintain claims edit check documentation.</i></p> <p><i>Applications for Educational benefits are not needed.*</i></p>	<p><i>Record the total number of reimbursable student meals (not by eligibility category) served daily for the Provision 2 meal service(s).</i></p> <p><i>Maintain claims edit check documentation.</i></p> <p><i>Applications for Educational Benefits are not needed.*</i></p>	<p><i>Record the total (not by eligibility category) number of reimbursable student meals served daily for the Provision 3 meal service(s).</i></p> <p><i>If the school finds a significant discrepancy (for example 10 percent) between the amount of reimbursement received and the actual meal count then the school must contact MDE.</i></p> <p><i>Maintain claims edit check documentation.</i></p> <p><i>Applications for Educational Benefits are not needed.*</i></p>
Ongoing claims and payments	<p><i>Submit the total and free number of meals for CEP meal services in CLiCS. Refer to guidance provided by MDE when determining the number of free meals to enter.</i></p>	<p><i>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.</i></p> <p><i>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.</i></p>	<p><i>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.</i></p> <p><i>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.</i></p>

* 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.