August 5, 2016

MEMORANDUM

TO: City and County Superintendents of Education

FROM: Andy Craig
Deputy State Superintendent
Administrative and Financial Services

RE: Child Nutrition Program (CNP) Pass-Thru Calculation Procedures

In Act 2016-199 ("the Act") Section 11, the CNP fund balance requirement was changed from "maintaining a fund balance equal to or greater than a two-month operating reserve" to "maintaining a positive fund balance" for the district. The Act retained the requirement of the State Superintendent to approve redirecting Other Current Expense (OCE) funds designated for the pass-thru calculations. As a result of the change in legislation, the following procedures will be implemented for FY 2017.

1. The Pass-Thru Transfer spreadsheet from the Alabama State Department of Education (ALSDE) CNP will be completed for FY 2017. This will provide information related to the raises and benefits earned by the CNP staff; will be utilized by ALSDE CNP in calculating certain required information; and will calculate the pass-thru amount if no waiver is requested.

2. As your school system’s budget for FY 2017 is prepared, the Chief School Financial Officer (CSFO) and CNP Director should collaborate to ensure appropriate revenues and expenditures are included in the budget for CNP operations. These expenditures include any equipment requests that have been approved for the current year by the ALSDE CNP Department and any other anticipated equipment needs to be submitted to the ALSDE CNP section as well as the anticipated indirect cost to be paid by CNP. While the legal threshold for the CNP fund balance is "positive", we recommend maintaining a fund balance at a level that will support the ongoing success of the CNP program. Consideration should be given to maintaining a fund balance sufficient to supporting emergencies, long-term equipment needs, and state/local raises.

3. As your school system’s financial information for FY 2016 is completed for submission to the ALSDE, the attached form should be completed. Please submit this form as part of your system’s Financial Statement Packet.
4. During the year, the CNP fund balance should be monitored on a monthly basis to ensure that a positive fund balance is maintained. A monthly trial balance report by cost center should be provided to your system’s CNP Director. Based on the approved pass-thru amount, funds should be passed through as needed, but at least quarterly, to the CNP fund source.

As your school system evaluates what is a sufficient fund balance for the CNP program please keep in mind the following.

1. If the revenues generated by CNP operations are consistently less than the expenditures, the general fund will eventually have to increase the pass-thru amount to CNP. During the years that a portion of the CNP path-thru is retained, caution should be taken in the types of general fund expenditures incurred. If the CNP fund balance is no longer “positive”, additional funds are required to be passed through to CNP. If necessary, reductions to anticipated General Fund expenditures may be required.

2. If the CNP fund balance, based on the CNP Financial Profile, is greater than three months, ALSDE CNP can waive the Paid Lunch Equity (PLE) price increase. In the absence of a waiver, the entire increase must be made in the following school year. Required increases will impact the price of paid student meals as well as adult and visitor meal prices.

3. At the end of the school year, the fund balance should be sufficient to cover summer expenditures (salaries, benefits, start up purchases, etc.) without, or with less, revenue for meal reimbursements during those months.

If you have questions about the implementation of these new procedures contact Mr. Dennis Heard [(334) 242-9747 or dheard@alsde.edu], Mrs. Sonja Peaspanen [(334) 353-9886 or speaspanen@alsde.edu], or Mrs. June Barrett [(334) 242-1988 or jbarrett@ALSDE.edu]

AC/SSP

Enclosure

cc: Chief School Financial Officers
    Child Nutrition Directors

FY16-3044
Child Nutrition Program Operating Balance
Pass-Thru Relief Request
FY 2017

_____ I wish to retain funds       _____ I do not wish to retain funds

Required to be completed if you wish to retain funds.

Fund Source 5101
Actual FY 2016 Ending Fund Balance
Less: FY 2016 Inventory Reserve
    (Account 0342 / Fund Source 5101)

Equals FY 2016 Net Cash Resources (A)

Plus: Budgeted FY 2017 Revenues
    (Excluding budgeted pass-thru amount)

Plus: FY 2017 Pass-Thru Spreadsheet Calculation (B)
Less: Budgeted FY 2017 Expenses
    (Including anticipated equipment needs)

Equals Anticipated FY 2017 Net Cash Resources (C)

Lesser of A, B, or C Equals Maximum
    Pass-Thru Eligible to be Redirected in FY 2017

_________________________ ___________________________ __________
CNP Director Signature       Printed Name               Date

_________________________ ___________________________ __________
CSFO Signature               Printed Name               Date

_________________________ ___________________________ __________
Superintendent Signature     Printed Name               Date