



# CEP Financial Considerations

## For School Business Officials

The Community Eligibility Provision (CEP) is a meal service option that enables high need schools and districts to serve breakfast and lunch to all students at no cost to them. CEP reduces administrative costs by eliminating school meals applications, instead relying on the percentage of students directly certified for free school meals and a multiplier to establish the federal reimbursement rate. Because of this reimbursement structure, CEP can generate revenue for school meals programs. Below are a set of financial considerations that can help guide your decision-making in adopting or expanding CEP.

### CEP Can Generate Revenue

Under CEP, there are only two federal reimbursement categories for school meals: free and paid. CEP effectively eliminates the reduced-price category. To determine the federal reimbursement rate, schools and districts must determine what percentage of students are categorically eligible for free meals, known as the Identified Student Percentage (ISP). Schools must have an ISP of at least 40% to qualify for CEP.\* Under CEP, a 1.6 multiplier is applied to the ISP to establish reimbursement rates. To calculate:

**ISP x 1.6 = Percentage of meals served that will be reimbursed at the free rate.**

**100% - (ISP\*1.6) = Percentage of meals served that will be reimbursed at the paid rate.**

This chart shows sample calculations and reimbursement rates by ISP.

Identified Student Percentage (ISP)	1.6 Multiplier	% of Meals Reimbursed at the Free Rate	% of Meals Reimbursed at the Paid Rate
40%	x 1.6	64%	36%
50%	x 1.6	80%	20%
55%	x 1.6	88%	12%
62.5%	x 1.6	100%	0%

\*A district can implement CEP in a school, group of schools, or district-wide, as long as the weighted average of the group meets or exceeds the 40% eligibility threshold. A district should explore multiple grouping scenarios to test which scenario would both maximize student participation and revenue. For support with grouping, use this [CEP Bundling Calculator](#) or email [bestpractices@strength.org](mailto:bestpractices@strength.org).



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Districts can see a great financial return by double-checking that all eligible students are directly certified. When additional students are identified and reported to the state, they effectively boost the ISP and bring in additional reimbursement. To learn about how to increase your ISP, visit [Strategies for Finding Success with CEP](#).

### Eliminating School Meals Applications Saves Time and Money

Because CEP eliminates the collection of household applications, CEP can significantly reduce administrative burden. Schools that operate CEP no longer spend money and staff time distributing and processing school meals applications, relying instead on the direct certification of students for free school meals to establish each school's ISP. Districts are required to conduct direct certification three times per year regardless of CEP status; therefore, schools should not experience an increase in administrative expenses.

For districts that are concerned about how eliminating free and reduced-price meals applications will affect other education funding streams, visit [FRAC's Guide to Understanding the Relationship between Community Eligibility and Title I Funding](#). CEP schools may also use alternative income forms if they are concerned with using ISPs to distribute Title I funds. Learn about alternative income forms [here](#).

### Participation in School Meals Can Increase

A 2013 study of school districts that transitioned from standard counting and claiming to operating CEP for two years found average participation increases of 25% for school breakfast and 13% for school lunch.<sup>1</sup> When participation increases, schools can achieve greater economies of scale and take advantage of the lower prices associated with purchasing in bulk. Moreover, thanks to the reduced administrative burden with respect to school meals applications, most districts find that they do not have to increase labor to accommodate increased participation.

If you have a historically low participation in breakfast and/or lunch, you may see even higher gains in average daily participation (ADP). However, if schools in your district are currently providing universal free breakfast and/or lunch to students (e.g. through Provision 2), you may not see as high participation gains. To increase participation in school meals under CEP, visit [Strategies for Finding Success with CEP](#).

### Winning Combination: CEP + Breakfast After the Bell

Many barriers prevent students from eating traditional cafeteria breakfast, where breakfast is served in the cafeteria before the school day starts. CEP eliminates the financial burden students may face in obtaining breakfast at school, but logistical barriers still exist, such as the time and location where breakfast is served. Breakfast After the Bell (BAB) is a breakfast operation model where breakfast is served as part of the school day, just like lunch. BAB is one of the most effective ways to boost school breakfast participation.

No Kid Hungry analyzed data among free and reduced lunch eaters from over 2,000 schools in 14 states and calculated average increases in breakfast participation by BAB model. Schools that offered Breakfast in the Classroom, Grab and Go, and Second Chance Breakfast (served during a mid-morning break) saw participation increase to 88%, 59% and 58%, respectively. In comparison, data showed that only 50% of free and reduced lunch eaters participated in traditional breakfast in the cafeteria. To learn more about breakfast after the bell, visit [bestpractices.nokidhungry.org/programs/school-breakfast](http://bestpractices.nokidhungry.org/programs/school-breakfast).

<sup>1</sup> Levin M, Neuberger Z. Community Eligibility: A Powerful Tool in the Fight against Child Hunger. Center for Budget and Policy Priorities. <http://www.cbpp.org/sites/default/files/atoms/files/10-1-13fa-short.pdf>. October 1, 2013.



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### Supplemental Funding for Reduced-Priced Meals Affects CEP

Supplemental funding aims to eliminate the reduced-priced copay for students, effectively picking up the tab for schools to offer more meals free of charge to students. Currently, 12 states<sup>2</sup> offer supplemental funding. If your state provides supplemental funding for reduced-priced meals, it may be more difficult financially to implement CEP. Consider this example:

*A school district serves 50% of its meals to students who qualify for free meals and 35% to students who qualify for reduced-priced meals. The state provides supplemental funding to eliminate the reduced-priced copay for students, making it so that the school food authority receives the equivalent of the federal free reimbursement rate for 85% of the total meals it serves. If this same district has an ISP of 50% and decides to adopt CEP, it will only receive reimbursement at the federal free rate for 80% of the meals it serves (50%\*1.6). This could result in a loss in revenue for the district, if participation remains the same.*

### Afterschool Meals Can Generate Additional Revenue

Starting an afterschool meals program can be an additional revenue generator for school nutrition departments. To learn more about afterschool meals programs, visit [bestpractices.nokidhungry.org/programs/afterschool-meals](https://bestpractices.nokidhungry.org/programs/afterschool-meals).

### Questions?

Our team is always happy to provide additional support. Send us an email at [bestpractices@strength.org](mailto:bestpractices@strength.org).

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<sup>2</sup> The 12 states that offer additional reimbursement for reduced priced meals are CO, DC, MD, ME, MN, NH, NC, ND, NY, OR, VY, and WA (See [FRAC's School Meals Legislation and Funding by State Table](#))