

# Managing an Excess Operating Balance in the School Nutrition Programs



**Why?** The U.S. Department of Agriculture (USDA) requires school food authorities (SFAs) to reinvest Child Nutrition Program proceeds to improve the program for the benefit of feeding children. For the National School Lunch Program (NSLP), excess operating balance (EOB) means a nonprofit school food service account (NSFSA) balance that exceeds three months of average operating costs at year end.

## Process for Sponsors with Excess Operating Balance

- ☑ The **Financial Report** for the previous school year is due in September with the Sponsor Application and is completed in the [Connecticut Online Application and Claiming System for Child Nutrition Programs \(CNP System\)](#). Refer to the Connecticut State Department of Education's (CSDE) [Instructions for Submitting the Financial Report for School Nutrition Programs](#).
- ☑ Sponsors with an EOB must complete the [Plan to Reduce Excess Operating Balance for School Nutrition Programs](#) and upload to the CNP System's Financial Report Module. Refer to the CSDE's [Instructions for the Plan to Reduce Excess Operating Balance for School Nutrition Programs](#).
- ☑ Sponsors must complete a [Capital Expenditure Request Form](#) if any items listed on their completed **Plan to Reduce Excess Operating Balance** have an estimated cost per unit of at least \$5,000 and do not appear on the CSDE's [Capital Expenditure Approved List for School Food Authority Equipment Purchases](#).
- ☑ Requests to extend the **Plan to Reduce Excess Operating Balance** to two years will be approved on a case-by-case basis.
- ☑ Sponsors must monitor their operating balance and proactively invest profits throughout the year to avoid an EOB.

### ALLOWABLE COSTS

(Must have detailed cost estimates)

- ✓ Improve food quality
- ✓ Invest in School Breakfast Program
- ✓ Hire additional staff or increase wages
- ✓ Hire operational, administrative, or farm to school staff
- ✓ Food service equipment/smallwares
- ✓ Cafeteria/serving line renovations
- ✓ Computer hardware/software
- ✓ Tables and chairs (cost allocation)
- ✓ School gardens (cost allocation)
- ✓ Food transport van/truck (cost allocation)

Capital expenditures (payments made for goods or services) shared with non-food service-related activities require a **cost allocation plan** (refer to the CSDE's [Financial Management Requirements for the School Nutrition Programs](#)).

### Caution... Important

The USDA requires the CSDE to reduce federal reimbursements for sponsors with repeated EOB noncompliance. Failure to obtain the CSDE's prior approval of equipment/capital outlay results in an unallowable cost. Unallowable costs must be reimbursed to the NSFSA with non-federal funds.

### UNALLOWABLE COSTS

- ✗ Costs that benefit non-food service programs
- ✗ Additional square footage for kitchen or cafeteria expansions
- ✗ Infrastructure costs
- ✗ Contingency fees
- ✗ Public announcement systems
- ✗ Land acquisition

### Do the Math

**3 months average operating cost** = Total cost divided by number of operating months in a year (typically 10)

**Excess operating balance** = Computed operating position (#3f on the Financial Report) minus 3 months average operating cost

Contact your [CSDE school nutrition team member](#) for assistance.

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