



HNS # 01-2023

MEMORANDUM

TO: All Local Educational Agencies Operating the National School Lunch Program

FROM: Arizona Department of Education, Health and Nutrition Services Division
Melissa Conner, Senior Deputy Associate Superintendent

DATE: January 31, 2023

SUBJECT: Increased Limitation of Net Cash Resources

Original Signed

Arizona Department of Education (ADE) recognizes the financial challenges facing school meal programs. School Food Authorities (SFAs) have received substantial increases in funding and supply chain disruptions may impact schools' ability to spend program funds. Until further notice, the Arizona Department of Education (ADE) is providing a temporary flexibility of allowable net cash resources (NCR) by increasing the existing net cash resource limitation from three months to six months average operating expenditures.

Net Cash Resources

Federal regulations 7 CFR Part 210.14 state that SFAs must limit NCR to an amount that does not exceed three months of average operating expenditures for its nonprofit food service. NCR refer to all monies, as determined in accordance with the State agency's established accounting system, that are available to or have accrued to a SFAs nonprofit school food service at any given time, less cash payable. Excess cash occurs when the fund balance of the non-profit school food service account exceeds three months' average expenditures.

SFAs should closely monitor and calculate their NCR throughout the school year. The Arizona Department of Education (ADE) created the [Net Cash Resources Worksheet](#) to assist with the calculation.

State Agency Monitoring of Net Cash Resources

Federal regulations 7 CFR Part 210.19 require the ADE to ensure SFAs follow the requirements to limit NCR. ADE annually reviews NCR using the figures submitted on the SFA's prior year Annual Financial Report (AFR). With this guidance, only SFAs with a balance in excess of six months at the end of school year 2021-2022 will be contacted by ADE to formalize and initiate a one-year excess cash spending plan. Consideration for extensions will be given if the spending plan presented is justified.

If you need any additional assistance or have questions regarding this guidance, please contact your assigned Health and Nutrition Services Specialist.

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