

Bad Debt Reference:

Governed by OMB cost circular A-87. Student debt falls under "bad debt" as an unallowable cost to the non-profit food service fund. Student debt at the end of the year cannot be absorbed by the food program. It must be paid for with another district fund. This is usually enough incentive for districts to have a charging policy, because otherwise they will be paying for it.

Link: http://www.whitehouse.gov/omb/circulars_a087_2004/

Scroll down through OMB A 87 to where it says Bad Debts. This is the actual verbage - 5. **Bad debts.** Bad debts, including losses (whether actual or estimated) arising from uncollectable accounts and other claims, related collection costs, and related legal costs, are unallowable.

SUBJECT: Cost Principles for State, Local, and Indian Tribal Governments

1. **Purpose.** This Circular establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments and federally recognized Indian tribal governments (governmental units).

Child Nutrition Programs falls under the cost reimbursement contracts.

As far as having a model for charging there is none from the Federal government. SFA's may develop a more aggressive policy and be supportive of that once they realize they should be paying for the bad debt.