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**CONTRACTING FOR SCHOOL FOOD SERVICE**  
**FACT SHEET 5**  
**CONTRACT TYPE III**  
**AWARD BASIS - ADMINISTRATIVE SERVICE FEE**

The contract must be awarded on a fixed fee basis. The Food Service Management Company (FSMC) **cannot** receive payment from the school food authority (SFA) for the cost plus a percentage of the cost, or a percentage of the income from the program.

The *Type III* contract is awarded based on an annual administrative fee or a per meal administrative fee. The administrative fee is defined as all other costs, **except**, food, labor, and miscellaneous expenses as defined below. The administrative fee is the only source of profit for the FSMC.

When using a Type III contract, the New York State Education Department's Office of Counsel has ruled that the Governing Board of the SFA must purchase all food and non-food items in accordance with General Municipal Law §103 and Part 114 of the Regulations of the Commissioner of Education (8 NYCRR Part 114). Competitive bidding for all food and non-food items is a way of confirming that the FSMC takes advantage of the best price the marketplace has to offer.

1. The SFA and FSMC would cooperatively develop the bid specifications.
2. Bids would be advertised in the SFA's official paper.
3. Bids would be opened in the District office.
4. The FSMC can submit a bid to supply any food or non-food item.
5. Title to all purchased foods remains with the FSMC.

We recommend the SFA indicate food service management bids will be accepted on either an annual fee or a per meal fee basis, prior to bidding. However, should the district decide to accept both annual and per meal bids, the per meal bids will be annualized and the award based on the annual fee.

To assist school administrators, the following definitions have been developed. These definitions should be referred to when questions arise concerning payments obligated under the Type III FSMC contract.

**Allowable Direct Costs** are those costs, which are incurred solely for the SFA's on-site operation as defined herein:

**Labor** is defined as and limited to on-site employees responsible for the management, preparation, service, and clean up of meals.

**Food** is defined as and limited to those items purchased for use in the preparation and service of student, a la carte, adult, and special event meals as specified.

**Miscellaneous Expenses** are defined as paper supplies (including decorations), equipment rental, cleaning materials, commodity handling and warehousing charges, travel as required for effective program

management, and as agreed upon by the SFA\* (see below), uniforms, menu paper and printing, taxes and licenses, laundry, insurance and other costs as contractually obligated herein.

\*Travel as required for effective program management and as agreed upon by the SFA:

1. Travel as required:
  - Travel of the manager from one building in the district to another.
  - Travel to regional meetings.
2. Travel as agreed upon:
  - Travel to special meetings.
  - Travel of regional chef, dietician, etc. if the SFA deems such visits necessary for efficient operation.

**Note:** *Allowable direct cost of operations is defined as labor, food and miscellaneous expenses. All program expenses not otherwise defined in the contract will be assumed by the FSMC under the administrative fee.*

For further information or clarification, contact Sharon M. Smith at (518) 473-8781.