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December 16, 1971

Mr. Everett Zabriskie, Secretary
Nutley Board of Education
149 Chestnut Street
Nutley, N. J.

Dear Everett:

You have inquired whether it is permissible for the Board to increase the price of school lunches five cents due to the fact that the school lunch program is running at a deficit by reason of increased cost of food.

During Phase I of the Wage and Price Freeze, the prices of school lunches were frozen. Economic Stabilization Circular #101, Section 407 (11); Cost of Living Council Summary No. 1.

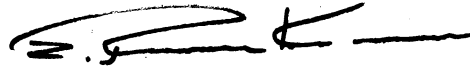
The Price Commission's regulations issued under Phase II provide that service organizations, making services available, such as school lunches, may charge a price in excess of the base price for the services to reflect allowable costs in effect on November 14, 1971, and cost increases incurred after November 14, 1971 reduced to reflect productivity gains. Such increases, however, cannot result in an increase in the profit margin as a percentage of sales. Price Commission Regulations, Section 300.014 effective November 14, 1971. Government instrumentalities are included within the definition of service organizations. Under this regulation, the Board would be permitted to increase the price of school lunches irrespective of the 2.5% general guideline to the extent necessary to cover the increased costs. If the proposed five cent increase does not exceed increased cost, such increase is permissible under current regulations.

Mr. Everett Zabriskie, Secretary -2-
Nutley Board of Education

December 16, 1971

We have discussed this matter with the Internal Revenue Service, which has been delegated the authority to supervise the price freeze, and they concur in this opinion.

Very truly yours,

A handwritten signature in black ink, appearing to be "E. P. K.", written in a cursive style.

CRK:LA