



**United States
Department of
Agriculture**

Food and
Nutrition
Service

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DATE: January 14, 2010

SUBJECT: FY2010 National School Lunch Program (NSLP) Equipment Assistance Grants for School Food Authorities

TO: Regional Directors
Child Nutrition Programs
All Regions

State Directors
Child Nutrition Programs
All States

In accordance with Section 7(a)(2) of the Child Nutrition Act of 1966 (42 U.S.C. 1776(a)(2)), on October 1, 2009, the Secretary of the United States Department of Agriculture (USDA) received a one-time appropriation of \$25,000,000 for equipment assistance to eligible school food authorities (SFA) participating in the National School Lunch Program (NSLP). This one-time appropriation will be used for the purchase of equipment for schools under the jurisdiction of such authorities.

Please note that these fiscal year (FY) 2010 NSLP Equipment Assistance Grants are similar in nature to the American Recovery and Reinvestment Act of 2009 (Public Law 111-5, or "ARRA") equipment grants awarded in FY 2009, but should not be confused with them.

Overview

Funds for the FY 2010 NSLP Equipment Assistance Grants will be allocated based on each State educational agency's (SA) school meals administrative expense allocation. If a SA does not accept or use its funding allocation, USDA will reallocate the funds to other eligible SAs. In awarding grants to eligible SFAs, a SA must give priority to each SFA whose application demonstrates that in providing equipment assistance to schools, it will give priority to schools where not less than 50 percent of the enrolled students are eligible for free or reduced price meals. For the purposes of this one-time appropriation, the term "eligible SFA" means a SFA:

- 1) participating in the NSLP established under the Richard B. Russell National School Lunch Act; and
- 2) that did **not** receive an ARRA grant for NSLP equipment assistance. Please note that SFAs receiving partial funds due to the ARRA recovery and reallocation of unliquidated funds process are not eligible for the FY 2010 NSLP Equipment Assistance Grants.

Not later than 180 days after receiving this allocation, the SA must award grants, on a competitive basis, to eligible SFAs. A SA receiving an allocation may not use more than five (5) percent of such allocation for administrative costs associated with awarding grants to eligible SFAs.

Furthermore, SFAs must complete their procurement and expenditure activities not later than one (1) year from the date the SFA received the grant award. Guidance on grant awards, funding goals, award/award timelines, reporting requirements, and available resources are provided below.

Grant Awards

FY 2010 NSLP Equipment Assistance Grant funds will be provided based on SAs' administrative expense allocation for FY 2010 (see enclosed State funding allocations). As noted above, a SA may not use more than five (5) percent of its allocation for administrative costs associated with awarding grants to eligible SFAs.

These grants must be distributed to SFAs via a competitive grant process that is fair and equitable. However, as supported by legislation, SAs are allowed and highly encouraged to use the competitive application process developed under ARRA, thereby facilitating the identification of eligible SFAs that did not receive ARRA funds. Competitive options are discussed below.

Those SFAs that did not receive ARRA funds must be granted precedence to receive these equipment assistance funds. Therefore, each SFA participating in the NSLP that can demonstrate that it has given priority to schools where not less than 50 percent of the enrolled students are eligible for free or reduced price meals and that did not receive an ARRA grant for equipment assistance is eligible to receive a NSLP equipment assistance grant by:

- 1) having submitted an application to receive equipment assistance under ARRA; or
- 2) submitting a new application to a SA at such time, in such manner, and containing such information as required should the SA opt to develop a new competitive process.

The need for timely distribution and use of the FY 2010 NSLP Equipment Assistance Grant funds does not constitute a justification to support award of the grants on a non-competitive basis. SAs awarding competitive grants are expected to follow the same laws, regulations, principles, procedures, and practices as they do with other grants.

Competitive Application Process developed under ARRA

SAs may opt to use the competitive application process developed under ARRA. In doing so, SAs must prioritize the preexisting applications from SFAs that participate in the NSLP and that did not receive an ARRA grant for NSLP equipment assistance. Moreover, the SFA must demonstrate that in providing equipment assistance to schools, it will give priority to schools where not less than 50 percent of the enrolled students are eligible for free or reduced price meals. However, SAs which opt to use applications submitted under ARRA must use the same evaluation criteria outlined in ARRA where the highest score is given priority.

Newly developed Competitive Application Process

SAs choosing not to use the applications received under ARRA procedures must develop a full and open competitive application process using the criteria outlined below:

SAs are responsible for creating the specific criteria used in their competitive NSLP equipment assistance grant process that best represent the needs in their State. SAs must comply with the

statutory requirement that grants are to be based on the need for equipment assistance in schools participating in the NSLP. Priority must be given to schools in which 50 percent or more of the students are eligible for free or reduce-priced meals.

When developing the FY 2010 NSLP Equipment Assistance Grant criteria, SAs may consider the SFAs' ability to justify their degree of need for the equipment based on a number of factors, including but not limited to: number of students who would benefit; contribution to the enhancement of the quality of meal service; availability of existing State and local funding for equipment purchases; expected increase in participation or number of sites in which school meals are served; SFA's current budget and operating balance; and/or geographic location as it relates to frequency of food deliveries.

Funding Goals

In order to make the most effective use of the FY 2010 NSLP Equipment Assistance Grant funds, when using the competitive application process developed under ARRA or developing a new competitive application process, SAs must incorporate one or more of the following four focus areas:

- 1) Equipment that lends itself to improving the quality of school foodservice meals that meet the *Dietary Guidelines for Americans* published under section 301 of the National Nutrition Monitoring and Related Research Act of 1990 (e.g., purchasing an equipment alternative to a deep fryer);
- 2) Equipment that improves the safety of food served in the school meals programs (e.g., cold/hot holding equipment, dish-washing equipment, refrigeration, milk cooler, freezers, blast chillers, etc.);
- 3) Equipment that improves the overall energy efficiency of the school foodservice operations (e.g., purchase of an energy-efficient walk-in freezer replacing a freezer that is outdated and energy-demanding); and
- 4) Equipment that allows SFAs to support expanded participation in a school meal program (e.g., equipment for serving meals in a non-traditional setting or to better utilize cafeteria space).

Equipment requests may include new equipment, renovation of equipment, or replacement of equipment. USDA regulations at 7 CFR 3016.3 and Office of Management and Budget Circular A-87 define equipment for the purpose of FY 2010 NSLP Equipment Assistance Grants as articles of nonexpendable, tangible personal property with a useful life of more than one year and a per unit acquisition of \$5,000 (or such lesser amount as the SFA uses when reporting equipment as assets in its financial statements). As with all Federal grant funds, equipment procured using FY 2010 NSLP Equipment Assistance Grant funds must be practical and allocable in order to be reasonable and permissible costs. Generally, then, using these grant funds to purchase a walk-in freezer for school food service use would be an allowable cost, whereas renovation of the food service area would fall under the category of construction costs which must be borne by the school district's general fund.

SAs' FY 2010 NSLP Equipment Assistance Grant announcements to SFAs must highlight the requirement of following all Federal, State, and Local procurement laws when purchasing equipment with these grant awards.

Award/Award Timeline

For the purpose of FNS awarding this one-time appropriation to SFAs, an addendum to the federal-state agreement will be developed by FNS. SFAs, however, will follow their standard policies and procedures to award these grants to the SFAs.

Not later than 180 days after receiving an allocation, a SFA is required to complete the entire award process, including solicitation and designation. Furthermore, SFAs must complete their procurement and expenditure activities not later than one (1) year from the date the SFA received the grant award.

Reporting Requirements

FNS Regional offices will be responsible for processing grant awards to SFAs, and ensuring that SFAs submit quarterly SF-425 Financial Reports in the Food Programs Reporting System (FPRS). The regional offices will also be responsible for collecting quarterly progress activity reports from SFAs.

SAs will be given new codes to track the allocations associated with the FY2010 NSLP Equipment Assistance Grant funds. These funds cannot be commingled with other program funds, and must be tracked and reported separately via the SF-425 Federal Financial Report.

As indicated at the beginning of this memo, these grants are not funded under ARRA; therefore, SFAs will not follow the ARRA reporting requirements or use the federalreporting.gov website.

Additional reporting requirements that apply to the FY 2010 NSLP Equipment Assistance Grants will be outlined in future guidance, to include how to report the five (5) percent administrative costs.

Resources

The National Food Service Management Institute (NFSMI) has recently developed a resource for SFAs entitled "Equipment Purchase and Facility Design for School Nutrition Programs", which includes information on decision-making for purchase of school foodservice equipment. This resource is available on NFSMI's website at <http://nfsmi.org>.

In addition, the Child Nutrition Program Division is developing an online training course for State agencies on general procurement requirements. While this training does not focus specifically on equipment as such, it does provide information for SFAs regarding general Federal procurement requirements. The training consists of three topical areas. At this time, the first topic entitled "State Agency Guidance on Procurement Topic 1" is available online by registering at NFSMI's website.

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SAs with questions regarding this memo should contact their Regional Offices. Regional Office questions should be directed to Lynn Rodgers.

A handwritten signature in blue ink that reads "Cynthia Long". The signature is written in a cursive style with a large, looping "C" and "L".

Cynthia Long
Director
Child Nutrition Division

Attachment