



United States
Department of
Agriculture

Food and
Nutrition
Service

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SUBJECT: 2009 Equipment Assistance Grants for School Food Authorities
Questions and Answers

TO: Regional Directors
Child Nutrition Programs
All Regions

State Directors
Child Nutrition Programs
All States

As stated in memo number SP18-2009 entitled “2009 Equipment Assistance Grants for School Food Authorities” (issued March 9, 2009), Public Law 111-5, the American Recovery and Reinvestment Act of 2009 (ARRA), provides a one-time appropriation of \$100,000,000 for equipment assistance to school food authorities (SFAs) participating in the National School Lunch Program (NSLP). The information below addresses follow-up questions we have received from Regional Offices and State agencies regarding allowable usage of the ARRA funds.

State Agency

Q.1. May a State agency or an SFA use the ARRA equipment assistance grant funds for administrative purposes?

A.1. No. The ARRA does not provide for any portion of the State’s allocation to be used for administrative purposes either at the State or local level.

Q.2. There are four suggested focus areas provided in the March 9th memo which the State agency should use when developing the grant process for the SFAs. What if none of the four suggested focus areas meets the equipment needs of the State? Can a State agency develop their application process for the SFAs with a different focus area?

A.2. Yes, with prior approval from FNS. As mentioned in the memo issued on March 9, 2009, *2009 Equipment Assistance Grants for School Food Authorities* (memo code SP18-2009), when developing the grant application process for the SFAs, State agencies should incorporate one or more of the following four focus areas:

- Equipment that lends itself to improving the quality of school foodservice meals that meet the dietary guidelines. (e.g., purchasing an equipment alternative to a deep fryer),
- Equipment that improves the safety of food served in the school meal programs. (e.g., cold/hot holding equipment, dish washing equipment, refrigeration, milk coolers, freezers, blast chillers, etc.),
- Equipment that improves the overall energy efficiency of the school foodservice operations (e.g. purchase of an energy-efficient walk in freezer replacing an outdated energy-demanding freezer), and Equipment that allows SFAs to support expanded participation in a school meal program.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)

State agencies may opt to propose alternate or additional focus areas, but must submit the proposal to FNS for prior approval.

Q.3. May a State agency award the ARRA equipment assistance grant funds to SFAs for schools which *less than 50 percent* of the students are eligible for free or reduced-priced meals?

A.3. Yes, but only under appropriate circumstances. As stated in the ARRA, priority must be given to SFAs to purchase equipment for schools in which at least 50 percent of the students are eligible for free or reduced-priced meals. This means significant weight must be given to applications from SFAs who apply for grant funds for schools with at least 50 percent of the student population eligible for free or reduced-priced meals to ensure schools falling within this category have a clear advantage, all other things being equal. In addition, State agencies are encouraged to consider an SFAs' ability to fully expend grant funds within three (3) months of the award.

Q.4. Are the ARRA funds available to State agencies through fiscal year 2010?

A.4. The intent of the ARRA is for State agencies to quickly infuse the ARRA funds into the economy by awarding them to the SFAs. The expectation is that the State agency will complete the application solicitation and award to SFAs by the strongly encouraged June 8, 2009 deadline. The ARRA funds are two-year funds and will be available for obligation in FY 2010, but any funds not obligated by the States at the end of FY 2009 will need to be recovered and reallocated. States do not have the authority to retain unobligated ARRA funds beyond the end of the fiscal year.

Q.5. How long are the ARRA funds available to SFAs?

A.5. While there is no specific end date for the ARRA grant awards, the grants should be tied to the necessary period of performance and aligned with the purpose and intent of the ARRA grants. This is to concurrently improve infrastructure in the NSLP and provide an economic stimulus by encouraging SFAs to fully expend their equipment assistance funds within three (3) months of award. In general, the period of performance associated with any grant should align with the amount of reasonable time necessary to accomplish the purpose of the grant and no longer. For example, if a reasonable amount of time to procure a piece of equipment is three months, the SFA should not be given a year to accomplish the task.

Q.6. Will the ARRA funds be reallocated if States are unable to use the entire funding amount initially allocated in March 2009?

A.6. Yes. As mentioned above, it is encouraged that the State agencies complete the application solicitation and award to SFAs no later than June 8, 2009. FNS will monitor expenditures to ensure the ARRA funds are fully obligated by September 30, 2010. If FNS determines that a State has not obligated the funds in a timely manner FNS may choose to recover the unobligated funds and reallocate them to other States.

School Food Authority

Q.7. May RCCI's apply for the ARRA equipment assistance grant funds?

A.7. Yes, as long as the RCCI is participating in the NSLP.

Q.8. May an SFA round up when determining a school's eligibility percentage of free and reduced-priced meals?

A.8. No. Rounding is not an acceptable practice. This is consistent with our policies regarding area eligibility across the programs.

Q.9. May an SFA use a district-wide percentage of free and reduced-priced eligibility instead of individual school sites' percentage?

A. 9. No. The ARRA specifically states that priority will be given for schools in which at least 50 percent of the students are eligible for free or reduced-priced meals. Therefore, an individual school sites' percentage of free and reduced-priced eligibility must be used and not a district-wide percentage.

Q.10. Is there a certain month that an SFA needs to use to determine a school's free and reduced-priced eligibility?

A. 10 The SFA must use the month of October to determine their school's percentage of free and reduced-priced eligibility.

Q.11. May the equipment purchased with the ARRA equipment assistance grant funds be used to support the other school meal programs, such as school breakfast, afterschool snack programs, Fresh Fruit and Vegetable Program (FFVP), and summer food?

A.11. All SFAs participating in the NSLP are eligible to submit an application to their State agency to receive a grant award. The equipment purchased with the ARRA grant funds must be used to support the Federally assisted school food service operations of the SFA. Equipment may not be purchased exclusively for programs outside of the NSLP. However, when an SFA participates in other school meal programs (such as the School Breakfast Program, afterschool snack, FFVP, or the Summer Food Service Program), in addition to the NSLP, those other meal services may benefit from the ARRA grant purchased equipment. For example, if an SFA participating in the NSLP and School Breakfast Program purchases a new refrigerator with the ARRA grant funds, food items for both Federal Programs may be stored in the refrigerator.

Q.12. May an SFA apply for the ARRA equipment assistance grant funds to purchase equipment that will have a pro rata share for multiple program uses? For example, can an SFA apply for a cooler truck that will be used to transport school meals between school sites and to transport meals to senior centers by the Department of Aging?

A.12. Yes, under appropriate circumstances. An SFA is not prohibited from using ARRA equipment assistance grant funds to share in the joint cost of a piece of equipment. If they do, however, the SFA must furnish evidence that the ARRA grant's share of the cost is proportionate with the benefit the SFA's Federally assisted school food service operations will receive from the equipment's use. In other words, the ARRA grant must not be allowed to subsidize other activities of the SFA that also use the equipment. When reviewing an application for such ARRA funds usage, the State agency must consider that the specific intent of the ARRA grant funds is to improve the infrastructure of the NSLP while stimulating economy via prompt purchases of school food related equipment used to support the Federally assisted school food service operations. Within the application process, State agencies may choose to give priority to SFAs that will purchase equipment that solely benefits the school meal programs.

Q.13. May an SFA with a base or central kitchen apply for the ARRA equipment assistance grant?

A.13. Yes. As stated above, all SFAs participating in the NSLP are eligible to submit an application to their State agency to receive a grant award. An SFA's eligibility does not depend on the meal production systems being utilized (i.e., on-site kitchens, base/central kitchens, and satellite kitchens) as long as the ARRA equipment assistance grant funds are used to support the Federally assisted school food service operations of the SFA.

To determine the percentage of free and reduced-priced eligibility associated with a base/central kitchen, an SFA should identify the schools served by the kitchen and compare these schools' total enrollment with their total free and reduced-price eligibility, and determine if the 50 percent threshold is met.

Q.14. May the ARRA equipment assistance grant funds be used for delivery and installation costs of new equipment purchased, as well as disposal costs of old equipment?

A.14. Yes. Any costs that are reasonably required to procure new equipment with ARRA grant funds and place it in service (including delivery, installation, testing, disposition of the old equipment, etc.) are allowable. For example, the costs associated with the delivery of a replacement refrigerator to a school, installation of the replacement refrigerator to existing wiring and plumbing, and disposal of the old refrigerator is allowable.

Please note that equipment must be disposed of in accordance with applicable Federal regulations. See 7 CFR sections 3016.32(e) and 3019.34(g) for information on equipment disposal.

Q.15. May the ARRA equipment assistance grant funds be used for labor costs associated with the renovation of equipment?

A.15. Yes. As indicated in the memo issued on March 9, 2009, *2009 Equipment Assistance Grants for School Food Authorities* (memo code SP18-2009), reasonable contracted labor costs associated with renovation of equipment are acceptable.

Q.16. May SFAs purchase a point-of-service (POS) system with the ARRA equipment assistance grant funds?

A.16. It depends on the purchasing situation. The intent of the ARRA equipment assistance grant funds is to stimulate the economy and provide relief from economic distress

by encouraging the prompt purchase of school food related equipment. Sometimes a procurement for a POS system can take an extended period of time and may not allow the SFA to fully expend their grant award within the encouraged three (3) month time period. Equipment purchases that may take many months or years to complete do not meet the intent of this grant. Also, as with any grant request, the SFA must show how their request for equipment assistance corresponds to the focus area(s) the State agency has determined best represent the equipment needs in their State. (Grant focus areas are described in question 2, above.)

Q.17. May SFAs purchase a vending machine with the ARRA equipment assistance grant funds?

A.17. A vending machine may be purchased with ARRA equipment assistance grant funds *only* if the vending machine is used to distribute reimbursable meals. A vending machine may *not* be purchased with the ARRA equipment assistance grant funds to distribute competitive foods (see 7 CFR section 210.11) or foods of minimal nutritional value (see Appendix B to 7 CFR Part 210). The grant request to purchase a vending machine must fit into the focus area(s) the State agency has determined best represent the equipment needs in their State. (Grant focus areas are described in question 2, above.)

Q.18. May the ARRA equipment assistance grant funds be used for kitchen renovations?

A.18. No, the ARRA equipment assistance grant funds may not be used for kitchen renovations. As mentioned in the memo issued on March 9, 2009, *2009 Equipment Assistance Grants for School Food Authorities* (memo code SP18-2009), kitchen renovations are considered building construction costs, which cannot be paid from the nonprofit school food service account. Such costs must be paid from the school district's General Fund, a capital projects fund, etc.

Q.19. May new equipment for newly constructed schools be approved to received the ARRA equipment assistance grant funds?

A.19. Yes, as long as the SFA's proposal for purchasing the new equipment meets the focus area(s) described in the State agency's grant application (as described above) and meets the intent of the ARRA grant which is to expend funds in a manner that stimulates the economy. When awarding grant funds to the SFAs, State agencies should consider the economic impact of awarding one large award to one school, as opposed to several smaller awards to several schools.

Q. 20. May the ARRA equipment grant funds be used to pay for equipment purchased this school year before the ARRA grant funds became available?

A.20. No. The purpose of the ARRA equipment grant funds is to stimulate the economy as quickly as possible. Equipment that has already been acquired does not meet this purpose.

Q.21. If a school needs an equipment item that has a per-unit cost of less than \$5,000, may the SFA be awarded ARRA equipment assistance grant funds to purchase the item?

A.21. According to 7 CFR 3016.3 and the Office of Management and Budget Circular A-87, the Federal definition of equipment, for purposes of Federal assistance programs and the ARRA equipment assistance grant, is articles of nonexpendable, tangible personal property with a useful life of more than one year and a per unit acquisition cost of \$5,000 (or such lesser amount as the SFA uses when reporting equipment as assets in its financial statements). Most State and Local agencies use such lesser amounts (known as “capitalization thresholds”) to define equipment (i.e. a \$2,000 capitalization threshold instead of a \$5,000 one). In these cases, items classified as supplies under the Federal definition but whose acquisition cost equals or exceeds the State or local capitalization threshold, may be purchased as equipment with ARRA grant funds.

Q.22. As a condition of receiving ARRA equipment assistance grant funds, must a SFA commit to using and/or retaining the equipment for a prescribed minimum period of time?

A.22. No. Please note, however, that equipment purchased with the ARRA grant funds must be disposed of in accordance with applicable Federal regulations. See 7 CFR sections 3016.32(e) and 3019.34(g).

Q.23. May the SFA purchase used equipment with the ARRA equipment assistance grant funds?

A.23. Yes, as long as the SFA’s proposal for purchasing the used equipment meets the focus area(s) described in the State agency’s grant application (as described above) and meets the intent of the ARRA grant, which is to expend funds in a manner that stimulates the economy.

Q.24. If the SFA intends to replace a piece of equipment at a school, are there any requirements to show that the school's current equipment is unserviceable?

A.24. Requiring additional information or criteria from the SFA, such as documentation to show the condition of existing equipment, is at the discretion of the State agency in developing their application process.

Q.25. Are price quotes or specifications from an equipment supplier required to be included in an SFA's equipment assistance grant application?

A.25. Requiring additional information or criteria from the SFA, such as price quotes or specifications from an equipment supplier, is at the discretion of the State agency in developing their application process. However, the State agency may find such information useful in assessing the reasonableness of SFAs' requests for ARRA funds.

State agencies with questions on this memo should contact their Regional Offices. Regional office questions should be directed to Lynn Rodgers.



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