



POLICY STATEMENT

2009 Equipment Assistance Grants for School Food Authorities Questions and Answers

Source: USDA Memos SP 18-2009, SP 20-2009 and SP 23-2009.
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Program: NSLP

INTRODUCTION

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 State of Ohio was allocated 2.9 million dollars from this appropriation to fund school lunch program equipment assistance grants. Equipment assistance application materials are available on the Ohio Department of Education (ODE) Website at www.education.ohio.gov, keyword "Equipment Grant".

The information below addresses questions that ODE and the United States Department of Agriculture (USDA) have received regarding allowable usage of the ARRA funds.

Please keep this memo on file for reference. A copy of the memo is available for downloading from the ODE website at: <http://www.education.ohio.gov>. If you have any questions regarding this memo, please contact your ODE School Meal Programs Regional Consultant at 1-800-808-6325. The School Meal Programs are administered by the Ohio Department of Education, Office for Safety, Health, and Nutrition. The Office is located at 25 S. Front St, Mail Stop 303, Columbus, OH 43215.

NATIONAL SCHOOL LUNCH PROGRAM (NSLP) EQUIPMENT ASSISTANCE GRANTS QUESTIONS AND ANSWERS

GENERAL GRANT APPLICATION QUESTIONS AND ANSWERS

Q.1. May Residential Child Care Institutions (RCCIs) apply for the American Recovery and Reinvestment Act (ARRA) equipment assistance grant funds?

A.1. Yes, as long as the RCCI is participating in the NSLP.

Q.2. May an SFA round up when determining a school's eligibility percentage of free and reduced-priced meals?

A.2. No. Rounding is not an acceptable practice. This is consistent with the United States Department of Agriculture (USDA) policies regarding area eligibility across the Child Nutrition programs.

Q.3. May a School Food Authority (SFA) use a district-wide percentage of free and reduced-priced eligibility instead of individual school sites' percentages?

A. 3. No. The ARRA specifically states that priority will be given to 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.4. Is there a certain month that an SFA needs to use to determine a school's free and reduced-priced eligibility?

A. 4 The SFA must use the month of October 2008 to determine their school's percentage of free and reduced-priced eligibility.

Q.5. May the equipment purchased with the ARRA equipment assistance grant funds be used to support other school meal programs, such as School Breakfast, Afterschool Snack Programs, Fresh Fruit and Vegetable Program (FFVP), and the Summer Food Service Program (SFSP)?

A.5. All SFAs participating in the NSLP in Ohio are eligible to submit an application to the Ohio Department of Education (ODE). 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 SFSP), in addition to the NSLP, those other meal programs 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.6. May an SFA apply for the ARRA equipment assistance grant funds to purchase equipment that will have a pro-rated 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.6. 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, ODE 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, ODE may choose to give priority to SFAs that will purchase equipment that solely benefits the school meal programs.

Q.7. May an SFA with a central or base kitchen apply for the ARRA equipment assistance grant?

A.7. Yes. As stated above, all SFAs participating in the NSLP are eligible to submit an application to ODE for consideration of a grant award. An SFA's eligibility for grant consideration does not depend on the meal production systems being utilized (i.e., on-site kitchens, central/base 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 apply for equipment for a central/base kitchen, you must complete and submit the ODE 2009 National School Lunch Program Equipment Assistance Grant Application Central Kitchen/ Base Kitchen Request Form.

Q.8. 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.8. 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.9. May the ARRA equipment assistance grant funds be used for labor costs associated with the renovation of equipment?

A.9. Yes, reasonable contracted labor costs associated with renovation of equipment are acceptable.

Q.10. May SFAs purchase a point-of-service (POS) system with the ARRA equipment assistance grant funds?

A.10. 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 areas stated on the ODE Equipment Assistance Grant Application.

Q.11. May SFAs purchase a vending machine with the ARRA equipment assistance grant funds?

A.11. 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 SFA must show how the vending machine purchase meets one of the focus areas stated on the ODE Equipment Assistance Grant Application.

Q.12. May the ARRA equipment assistance grant funds be used for renovations to the kitchen (renovating the building structure for remodeling)?

A.12. No, the ARRA equipment assistance grant funds may not be used for kitchen renovations of the building structure for the explicit purpose of remodeling. The definitions of “renovation” and “construction,” refer to fundamentally changing the physical plant, as in constructing a new wall or demolishing an existing one. Permanent changes to the structure for remodeling purposes go beyond the acquisition of equipment, and their cost must be paid from the SFA’s General Fund, from a capital projects fund, or another resource other than the nonprofit school food service account.

Please note: If the alteration, rearrangement, modification, etc. of a site within the cafeteria or kitchen is required in order to prepare it for the installation of new equipment purchased with the ARRA grant funds then it is an integral part of the equipment’s acquisition cost. For example, the installation of a new refrigerator purchased with ARRA equipment assistance grant funds may require cutting away a portion of the wall against which the new refrigerator will be placed in order to connect the necessary plumbing and would be considered part of the acquisition cost.

Q.13. May new equipment for newly constructed schools be approved to receive the ARRA equipment assistance grant funds?

A.13. Yes, as long as the SFA’s proposal for purchasing the new equipment meets the focus areas stated on the ODE Equipment Assistance Grant Application and meets the intent of the ARRA grant which is to expend funds in a manner that stimulates the economy.

Q. 14. May the ARRA equipment grant funds be used to pay for equipment purchased this school year before the ARRA grant funds became available?

A.14. 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.15. 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.15. 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). Local agencies may 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 local capitalization threshold, may be purchased as equipment with ARRA grant funds.

Q.16. 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.16. 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.17. May the SFA purchase used equipment with the ARRA equipment assistance grant funds?

A.17. Yes, as long as the SFA’s proposal for purchasing the used equipment meets the focus areas stated on the ODE Equipment Assistance Grant Application and meets the intent of the ARRA grant, which is to expend funds in a manner that stimulates the economy.

Q.18. 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.18. ODE is not requiring this information on the ODE Equipment Assistance Grant Application.

Q.19. Are price quotes or specifications from an equipment supplier required to be included in a SFA’s equipment assistance grant application?

A.19. Although ODE is not requiring the submission of price quote documentation with the ODE Equipment Assistance Grant Application, the SFA should obtain price quotes prior to reporting the estimated amount of funding requested on the application to accurately state the amount of funding needed on the ODE Equipment Assistance Grant Application.

Q. 20. May SFAs that contract with a Food Service Management Company (FSMC) or caterer apply for the ARRA equipment assistance grants?

A.20. With regard to an FSMC, yes; however, when an SFA contracts with an FSMC and the FSMC acts on behalf of the SFA, the FSMC must adhere to the same Federal, State and local procurement requirements that are required of the SFA itself (7 CFR Part 210).

Any equipment assistance grant requests from SFAs that contract with a caterer must use the requested equipment to benefit the school and not the caterer, and the equipment must remain on the property of the school/SFA. For example, a refrigerator that is installed at the school is allowable, as opposed to a refrigerator that is installed at the caterer where the company could use the refrigerator for commercial purposes, or Federal programs other than the National School Lunch Program (this is prohibited).

Q.21. May the ARRA equipment assistance grant funds be used to purchase equipment that will be used in the serving lines, including lines that serve a-la-carte items?

A.21. Equipment may be purchased with ARRA equipment assistance grant funds only if the serving lines are used to serve reimbursable meals. Equipment may not be purchased with the

ARRA equipment assistance grant funds for use in serving lines that primarily serve/offer competitive foods (see 7 CFR Section 210.11) or foods of minimal nutritional value (see Appendix B of 7 CFR Part 210). A-la-carte items are competitive foods, so any equipment purchased for a serving line that primarily serves/offers a-la-carte items is unallowable.

Q.22. Does the equipment purchased with the ARRA equipment assistance grant funds need to follow the Buy American Act?

A.22. No. For the purpose of these grants, neither the Buy American Act nor the Buy American provision of the ARRA (Section 1605) applies to the purchase of NSLP equipment with ARRA funds.

Q.23. Does the equipment cost alone have to meet the Federal or State or local equipment definition threshold (e.g. the Federal \$5,000 equipment threshold) for the SFA to be awarded ARRA equipment assistance grant funds, or may the delivery and/or installation costs be included with the equipment cost to meet the threshold?

A.23. OMB Circular A-87, Attachment B, section 15.a.(1) defines “capital expenditure” as the acquisition cost of a piece of equipment, then proceeds to define “acquisition cost” as “the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation may be included in, or excluded from the acquisition cost in accordance with the governmental unit’s regular accounting practices.” In short, the acquisition cost of a piece of equipment includes all costs necessary to place the equipment in service. The per-unit capitalization threshold (whether the \$5,000 Federal one or a lower State/local one) is applied to the acquisition cost to determine whether the acquired item is “equipment.” The SFA incurs the equipment’s acquisition cost when it acquires the equipment, and disposition costs at the conclusion of the equipment’s service life. Since disposition costs are incurred years after the equipment is acquired, they cannot be part of the acquisition cost. However, the cost of disposing of old equipment that will be replaced with ARRA-funded equipment is an allowable ARRA cost.

Q.24. May an additional piece of equipment that is required to operate the equipment be combined with the equipment cost to meet the Federal or State or local equipment threshold (i.e. the Federal \$5,000 equipment threshold)? For example: a walk-in freezer costs \$2,500, but requires a \$2,500 compressor.

A.24. Yes. The A-87 definition of “acquisition cost” quoted in Q.23. clarified that the equipment’s acquisition cost includes “the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation may be included in, or excluded from the acquisition cost in accordance with the governmental unit’s regular accounting practices.” In the example, the cost of the compressor is part of the freezer’s acquisition cost because the freezer cannot be operated without the compressor.

Q.25. May smaller items be grouped together to meet the Federal or State or local equipment definition threshold (i.e. the Federal \$5,000 equipment threshold)?

A.25. No. Unless an item is required to put the equipment in operation, as described in Q.23. and Q.24., above, an SFA/school cannot combine smaller items to meet the Federal, State or local equipment threshold, which ever is more limiting.

Q.26. Are transportation vehicles considered equipment and; therefore, an allowable purchase with the ARRA equipment assistance grant funds?

A.26. Yes. SFAs may submit a request for transportation vehicles.

Q.27. May the ARRA equipment assistance grant funds be used to pay for indirect costs or audit set-asides?

A.27. No, the ARRA equipment assistance grant funds are to be used solely to purchase needed school food service equipment.

ODE EQUIPMENT ASSISTANCE GRANT APPLICATION SPECIFIC QUESTIONS

Q. 28. What does “Sponsor” refer to on the ODE Equipment Assistance Grant Application School Food Authority Cover Page Form?

A. 28. Sponsor refers to the Local Educational Agency/ School Food Authority Name of which your data is reported in the online Claims Reimbursement and Reporting System (CRRS).

Q. 29. What does “Current Budget” and “Operating Budget” refer to on the ODE Equipment Assistance Grant Application School Food Authority Cover Page Form?

A. 29. Current Budget refers to the amount of funds available at present in the non profit food service account. Operating Budget refers to the anticipated shortage or overage amount at the end of school year 2008-2009.

Q.30. What focus areas is the Ohio Department of Education using to determine funding for grant applications? Please provide examples if possible.

A. 30. The Ohio Department of Education is using the following four focus areas to determine funding of equipment assistance grants:

- Equipment that lends itself to improving the quality of school food service meals that meet the dietary guidelines. (e.g., purchasing of an equipment alternative to a deep fryer);
- Equipment that improves the safety of food served in the school meals 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 food service operation (e.g., purchase of an energy-efficient walk in freezer replacing an outdated, energy-demanding freezer);
- 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)

Q. 31. What does “Geographic Location as it Relates to Frequency of Food Deliveries” refer to on the ODE Equipment Assistance Grant Application Site Request Form?

A. 31. For this question on the site request form, you will indicate if the site is located in a rural, urban, or suburban area.

Q.32. What does “Anticipated Outcomes” refer to on the ODE Equipment Assistance Grant Application Site Request Form and ODE Equipment Assistance Grant Central Kitchen/ Base Kitchen Request Form?

A. 32. For this question, please indicate the anticipated outcomes or enhancement of the school lunch program that would occur would the funding be provided. Anticipated outcomes will include items such as:

- Increased numbers of children served;
- Efficiencies gained from new equipment being added to the cafeteria;
- Number of students who would benefit;
- Contribution to the enhancement of the quality of meal service;
- Expected increase in the participation or number of sites in which school meals are served;
- Estimates of the number of jobs created and/or retained by the projects/activities that would not have been created and/or retained in the absence of ARRA funds.

Q. 33. What parts of the application must I fill out?

A. 33. All SFAs requesting consideration for the equipment assistance funds **MUST** fill out the “2009 National School Lunch Program Equipment Assistance Grant Application School Food Authority Cover Page Form”. In addition to the cover page form, if you are applying for building site(s) only, you will also fill out a “2009 National School Lunch Program Equipment Assistance Grant Application Site Request Form”. If you are applying for a Central or Base Kitchen only, you will fill out “2009 National School Lunch Program Equipment Assistance Grant Application Central Kitchen/ Base Kitchen Request Form”. If you are applying for both individual building site(s) and a Central or Base Kitchen, you will fill out all three forms.

Q. 34. When will we hear if our grant application request was funded? When will we receive our money?

A. 34. ODE anticipates following the below grant approval and funding schedule:

- **May 19th through May 25, 2009 – Grants Review**
- **May 25th through May 29, 2009 – Processing of Grant Award Packages**
- **June 1, 2009 – Grant Awards Announced, Posted and Released**
- **June 2nd through September 14, 2009 – Grant Funding Distribution Period**