



PUBLIC SCHOOLS OF NORTH CAROLINA

DEPARTMENT OF PUBLIC INSTRUCTION | Mark Johnson, *Superintendent of Public Instruction*

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Supplemental Guidance for School Nutrition programs using CRF

CARES Act Funds (PRC-125)

This Q&A document is intended to supplement guidance provided to DPI by NCPRO on June 10, 2020. This guidance is intended to provide PSUs clear understanding of the boundaries of allowable uses of PRC 125 so they may best determine how to ensure emergency meal services support the nutrition of North Carolina's students during the extraordinary circumstances surrounding the public health emergency.

1. Is the June 10 guidance still active?

Yes. This guidance will be in effect until the School Nutrition funding described in SL 2020-4 Section 3.3(6) expires on December 30, 2020.

2. What are allowable expenses under CRF?

PRC 125 uses aid from the Coronavirus Relief Fund (CRF) and is thus subject to federal U.S. Treasury Department guidelines for their usage. The Treasury guidance on use of CRF funds includes these restrictions:

- **Funds may not be used for expenses that have been or will be reimbursed under any federal program.**
- Funds may not be used for payroll or benefits expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency.
- In accordance with the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Relief Fund Title V, these funds may not be used to directly mitigate or reimburse revenue shortfalls related to the COVID-19 outbreak.
- Funds may only be used for necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19), and for costs that are a substantially different use from any expected use of budgeted funds.
- Funds may not be used for workforce bonuses but may be used for hazard pay if it is determined to be a necessary expense. (Hazard pay means additional pay for performing hazardous duty or work involving physical hardship, in each case that is related to COVID-19.)

Since FY20 has closed, PRC 125 eligible expenditures must be incurred between July 1 and December 30, 2020.

3. What expenditures may be coded to PRC 125

There are two tests for identifying whether costs may be coded to PRC 125:

Test for “typical” expenditures. Expenditure categories that are typical for School Nutrition programs are considered typical expenditures. These include:

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AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

- Salaries/benefits for School Nutrition personnel who have actually worked in the emergency nutrition operations (except for those placed on emergency leave)
- Food
- Food Processing Supplies
- Supplies and Materials
- Travel Reimbursement
- Contracted Services
- Equipment
- Other standard operating cost (as defined in the Chart of Accounts for PRC 035)

Typical expenditures should first be funded through federal reimbursement and standard funding streams unrelated to CRF.

A typical expenditure may be funded through PRC 125 if (1) other funding sources leave a budget shortfall, (2) it is allowable under CRF, and (3) it is well documented.

In general, typical expenditures supporting emergency meal services are allowed under current federal waivers would be considered allowable under CRF, as they are considered “substantially different” and necessary for School Nutrition.

Test for “atypical” expenditures. In some cases, the conditions created by the public health emergency may necessitate that School Nutrition programs incur costs that are unusual compared to past school years. Among other expenditures, these may be the cost of transporting food to non-school locations, non-School Nutrition personnel who have been “substantially dedicated” to support School Nutrition programs, etc.

An atypical expenditure is considered allowable under CRF and may be funded through PRC 125 if it (1) is vital to providing emergency meal service during the public health crisis, (2) will be used primarily for the school nutrition program, and (3) is well documented.

4. How does the PSU determine the amount of CARES Act funds that may be used for expenditures since school nutrition receives federal reimbursement for the meals served?

The PSU should continue to calculate the amount of federal school nutrition reimbursement received and deposited into the non-profit school nutrition account during the period of July 1, 2020 through December 30, 2020 for meals served during the pandemic. The amount of reimbursement is easily accessible through the School Nutrition Technology System.

The PSU should determine if there is a shortfall or excess of federal reimbursement after expenditures have been paid. Necessary expenditures that are (1) incurred due to conditions created by the public health emergency and (2) in excess of what is covered through federal school nutrition reimbursement.

Any expenditures that cause a shortfall in reimbursement may be coded to PRC 125. (See example for PSU #1 below.) If there is an excess of federal school nutrition reimbursement, then no expenditures may be coded to PRC 125. (See example for PSU #2 below.)

Examples:

PSU # 1 – received \$394K in federal school nutrition reimbursement and had \$936K in expenditures, they would be eligible to use \$542K of PRC 125 but the PSU only has \$486,049 allotted, so they would be capped at the allotted amount.

PSU # 2 – received \$3.7M in federal school nutrition reimbursement and had \$3.2M in expenditures; the PSU would not be eligible for CARES Act funds, thus nothing may be applied to PRC 125.

5. How does the PSU determine if a school nutrition expenditure would be classified as an *atypical* expense and therefore may be coded directly to PRC 125?

Typical expenses are those that would be incurred regardless of the public health emergency. For example, sanitation gloves for staff preparing meals would be necessary under normal School Nutrition operations. These typical expenses should continue to be coded to Fund 5 PRC 035.

Any expenses that are allowable under CRF would be considered atypical, as they would not be necessary if not for the public health emergency. For example, sanitation gloves for bus drivers delivering meals would not be necessary under normal School Nutrition operations but may be deemed necessary due to the public health emergency.

Atypical expenses that are not covered through federal School Nutrition reimbursement may be coded directly to PRC 125.

6. May these funds be used to provide meals to populations ineligible for NSLP when federal waivers to extend summer programs expire?

PSUs may use the “typical expenditures” test to determine whether and how to provide meals for populations beyond those for whom the PSU would receive federal reimbursement.

7. May these funds be used for school nutrition expenses required by NC DHHS to implement social distancing, including purchasing carts, kiosk, insulated coolers, warming cabinets, and other items?

Generally, yes, if it is an atypical purchase necessary to provide emergency meal services. For example, PSUs may determine it is necessary to purchase particular food storage equipment in order to provide emergency meal services in non-congregant settings. The expense may be coded directly to PRC 125 if it is (1) clearly documented as necessary due to the pandemic and (2) substantially dedicated for School Nutrition.

PSUs may reference the “decision tree” below as a general guide to inform equipment purchases.

8. When can personnel costs be coded to PRC 125?

Please review the June 10 guidance for comprehensive information on how to handle various personnel costs.

9. Since transporting meals by yellow school bus is an atypical expense, can the buses be used to transport meals to students?

Yes. G.S. 115C-242 (6) states School buses owned by a local board of education may be used for emergency management purposes in any state of disaster or local state of emergency declared under Chapter 166A of the General Statutes. As long as North Carolina remains under a state of emergency, and local Boards of Education approve of the buses for emergency purposes, PRC-125 funds may be used to support the cost of transporting meals to students during the pandemic since these are atypical expenses for the school nutrition program.

10. Are there other funds available to PSUs to dedicate to School Nutrition?

Yes. PRC 163 is the most flexible fund provided to PSUs, as it stems from the Elementary and Secondary Schools Emergency Relief Fund (ESSER). This is aid provided directly by the U.S. Department of Education to DPI, which allotted funds to PSUs by formula. These funds are not subject to the CRF requirements.

SL 2020-80 also allows a portion of the Transportation Allotment to be used toward transportation costs related to emergency meal services for summer School Nutrition programs for the period of July 1 through the first official day of school; these funds were available by application only.

Decision-tree to inform individual equipment purchases.

Does the School Nutrition Program incur the expense when operating the program under routine operation?

If the answer is YES:

The expense may not be coded directly to PRC 125 but instead considered a typical expense and included in the calculation using reimbursement and expenditures.

If the answer is NO:

Can the PSU document that the expense meets the following two criteria?

The expense is necessary to the program to provide meals during the public health emergency.

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The expense will be used primarily for the school nutrition program.

If **YES**, the expense may be coded directly to PRC 125.

If **NO**, the expense should be considered a typical expense and funded through a different PRC, such as Fund 5 PRC 035 or PRC 163.