



Food and
Nutrition
Service

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SUBJECT: Additional Guidance on Use of Administrative Funds for State Costs of Implementation of New Meal Patterns for the National School Lunch Program and School Breakfast Program - Revised

TO: Regional Directors
Special Nutrition Programs
All Regions

State Directors
Child Nutrition Programs
All States

In response to questions from regional offices and in recognition of evolving technologies at the State agency level, the “Support Software” section in Attachment A of this memorandum has been updated. The revision is intended to clarify policy and procedures related to the use of State Administrative Expense (SAE) funds for ongoing maintenance and operational costs of software purchased by State agencies for statewide use by school food authorities (SFAs), in support of State initiatives to implement and maintain the new meal patterns. Although other minor wording and format changes were made for clarity, the Support Software section is the only substantive change. This revision is effective upon receipt of this memorandum.

This memorandum, originally released in 2013, is intended to supplement memorandum SP 07-2012, dated December 29, 2011, *Allocation of Administrative Funds for State Costs of Implementation of New Meal Patterns for the National School Lunch Program and School Breakfast Program*. Specifically, this memorandum provides additional information on allowable uses of the funds provided to State agencies under Section 4(b) of the Richard B. Russell National School Lunch Act, 43 USC 1753(b), as amended by Section 201 of the Healthy, Hunger-Free Kids Act of 2010 (HHFKA).

These administrative funds are made available to States for State-level activities related to training, technical assistance, certification, and oversight activities associated with the implementation of the new meal patterns and nutrient standards, and the performance-based reimbursement. Also, using Section 201 funds for farm to school efforts, such as training or marketing, also is an effective strategy for implementing the new meal patterns.

Although Section 201 funds were allocated based on the State Administrative Expense (SAE) funding formula and the parameters of use appear similar to SAE funds, please keep in mind that these are two separate funding sources. The flexibilities described below with regards to

training and technical assistance for SFAs are limited to the Section 201 funds and do not extend to the allowable uses of SAE funds.

We have been asked whether State agencies may provide any of the Section 201 funds directly to SFAs for implementation activities. In some instances it may be permissible for States to provide some funds to SFAs, provided the SFAs are *performing a function related to a State activity*, such as developing and disseminating training programs to assist SFAs in achieving compliance with the new meal pattern requirements. Within the framework of supporting a State-approved training and technical assistance program or initiative, the State agency may provide funds to an SFA to carry out the State-approved training program within that SFA. This could include:

- costs associated with SFA-developed training materials and State approval of those materials to assist SFAs in achieving compliance with the new meal patterns;
- costs associated with disseminating State or SFA-developed training and guidance materials to local level foodservice staff; and
- SFA costs (travel and other) associated with training local-level foodservice staff.

For example, a State agency may develop a presentation and training tools on the implementation of the new meal patterns or may approve training materials developed by an SFA. In those instances, a State agency may use the Section 201 funds to pay for the materials developed for the training program and the travel costs for SFA staff to conduct the training sessions.

Per Departmental regulations at 2 CFR 225, Appendix B, Subsection 15, as well as the language in Section 201, none of the funds may be used for the procurement of equipment for SFAs (i.e., foodservice equipment, such as salad bars, convection ovens, steamers, etc.), either by the State agency or the SFA.

We encourage State agencies to fully expend Section 201 funding on activities relating to the implementation of the new meal pattern requirements prior to using their SAE funding for this purpose, as Section 201 funds are not available for future reallocation.

State agencies should direct any questions concerning this guidance to the appropriate FNS Regional Office.



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Child Nutrition Programs

ATTACHMENT A

Flexibilities in Using HHFKA Section 201 Funds

This Attachment has been added to policy memo SP 13-2013 to provide additional flexibilities to assist State agencies with using the HHFKA Section 201 funds.

SP 7-2012 (December 29, 2011) and SP 14-2013 (December 7, 2012) provided the funding levels allocated to each State agency and background information pertaining to the purpose of these funds and the associated reporting procedures. In addition, FNS has extended the period of performance of these funds per the following memos: SP 39-2013 (May 3, 2013); SP 60-2014 (August 15, 2014); and SP 47-2015 (September 29, 2015).

FNS received a number of questions on allowable uses for these funds for activities related to the administrative reviews, marketing and promotion, signage, and software support. This attachment provides guidelines for uses of Section 201 funds to support activities similar to those identified for training. Please keep in mind that Section 201 funds and State Administrative Expense (SAE) funds are two separate funding sources. Therefore, the flexibilities described in this attachment are limited to Section 201 funds and do not extend to the allowable uses of SAE funds.

Administrative Reviews:

Activities related to State-level administrative reviews of school food authorities (SFA) are an allowable use of Section 201 funds. The Administrative Review process ensures compliance with all program requirements which support the implementation of the new meal patterns. Section 201 funds may be used to support onsite visits and for conducting reviews. Other allowable activities may also include State-level administrative review system upgrades, training on the review of the new meal patterns, continuing certification, other new review activities, and travel for purposes of the administrative review.

Marketing/Promotion:

Section 201 administrative funds may be used to purchase marketing and promotional materials supporting State agency approved campaigns and messages related to the new meal patterns. State agencies may purchase and/or develop in-house materials such as banners and brochures for marketing and promotional campaigns to provide to the SFAs, or they may establish best practices promotional materials collected from various SFAs' efforts. SFAs may be reimbursed by the State agency for purchasing materials which support the State agency marketing and promotion initiatives to support the new meal pattern. Other acceptable uses of these funds include covering costs associated with distributing the materials to the SFAs such as providing copies of the updated food buying guide. FNS reminds State agencies that there are many promotional and marketing materials available at no charge or little charge to them that have already been developed by FNS and others.

Signage:

Signage is an allowable use of Section 201 funds when the activity is part of a statewide initiative and would result in consistent messages approved by the State agency and available to all SFAs. For example, signage providing information on reimbursable meals within foodservice areas is an allowable use of Section 201 funds. The State could use these funds to print existing posters for SFAs or State agencies may use contracting services for this purpose.

Support Software:

Software supporting the implementation and oversight of the new meal patterns is allowable provided that the software is purchased as part of a statewide initiative for these objectives. This includes any USDA-approved software purchased by the State for local use during performance-based reimbursement certification activities and administrative reviews. A State agency may contract with a software company to make electronic administrative review instruments or assist with promoting and implementing the new meal patterns. Support software must be available to all SFAs; however, the use of Section 201 funds for this expense is not contingent upon all SFAs adopting this new technology. State agencies must follow proper procurement procedures to obtain these products and offer the full benefit of the software funded with Section 201 funds to all SFAs. State agencies must also have a plan to support ongoing maintenance costs and ensure sustainability of software purchases.

In cases where State agencies plan to use SAE funds for ongoing maintenance expenses that meet the criteria for allowable costs under SAE funding, they should consult with their regional office concerning any applicable changes to their SAE plans. For example, there may be situations where a State agency proposes to cover the ongoing cost to maintain the software licenses that allow all their SFAs to access the State agency's monitoring or training system modules to use tools or training that support the implementation, maintenance and State oversight of the new meal patterns. When this is a State level initiative made available to all SFAs statewide, the cost of the licenses for SFAs' ongoing access to the State agency's system modules potentially could be an allowable cost under SAE funding, depending on the purpose and whether the expense meets Federal cost principles (i.e., reasonable, necessary and allocable). State agencies should consult with their regional offices on a case by case basis to determine allowability to pay such costs with SAE funds.