

Commissioner's Memo
8/17/2022

Second Allocation Child Nutrition Supply Chain Assistance Funds

Memo Information

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Memo Type Regulatory

Unit Child Nutrition

Regulatory Authority USDA Policy Memo SP 03-2022

Response Required NO

Attention Federal Programs; Superintendents; General Business Managers; Child Nutrition Directors/Managers

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Memo Text

ATTENTION: Co-op Directors; Superintendents; Child Nutrition Directors; Business Managers; Federal Program Coordinators

The United States Department of Agriculture (USDA) has released an additional \$943 million nationwide to provide an additional financial resource for School Food Authorities (SFAs) to purchase domestic food products as part of the efforts to respond to widespread supply chain disruptions, enhance efforts to strengthen local food supply chains, and help district overcome financial and operational barriers while continuing to offer students access to free nutritious meals during School Year 2022-2023. These additional funds are called the Supply Chain Assistance (SCA) funds.

Allowable costs for these funds are exclusively the purchase of unprocessed or minimally processed domestic food products (commodities). These funds are intended to help SFAs to deal with supply chain challenges, such as unanticipated cancellation of food and supply contracts, reduced availability of certain foods, unexpected substitution of certain products, unpredictable increases in food and supply prices, and other obstacles related to pricing and/or availability of foods.

To be eligible to receive the SCA funds, SFAs must operate the National School Lunch (NSLP) and/or the School Breakfast Programs (SBP).

Funds for the second allocation will be distributed on the same formula as the first. The Child Nutrition Unit (CNU) will allocate SCA funds totaling \$10,160,924 using a predetermined formula established by USDA. The funding formula includes two (2) components: 1) a base payment of \$5000 to each eligible SFA, and 2) a proportional funding amount based on each SFA's share of statewide student enrollment in NSLP and/or SBP schools. The base payment is intended to ensure that all SFAs receive a meaningful level of funding. The proportional amount is intended to provide resources that scale with the size of the student population. October 2021 enrollment will be used for funding calculations.

All Arkansas school districts signed an attestation to receive the first allocation of SCA funds.

In order to receive the second allocation, the SFAs must "opt-in" by completing the 4 questions in this [Opt-In to receive SCA Funds data collection](#). The SCA "opt-in" is due no later than August 31, 2022. Any funds remaining after the initial disbursement, will be available through a reallocation process. Districts completing the SCA "opt-in" by the deadline will be notified by email if additional funds are available.

Allowable Costs Determination:

All foods purchased with the SCA funds must be from the USA (domestic), therefore, the Buy American provision does not apply. All foods purchased with SCA funds must be used to support the NSLP or SBP (not Afterschool Snack Program or Fresh Fruit and Vegetable Program (FFVP)).

All foods must be unprocessed or minimally processed. While “minimally processed” is not defined in the SCA guidance, the following should be used as guidance in determining allowable cost:

- From SP 03-2022, Attachment A, Q 32:

Q - What are some examples of food products that are not permitted to be purchased using SCA funds?

A – Food that are generally understood to be significantly processed or prepared may not be purchased using SCA funds. For example, crushed tomatoes, shredded cheese, whole wheat flour, and sliced vegetables are all food items that are individually allowable, but a pre-made pizza comprised of those ingredients would NOT be allowable. Other examples of unallowable products include baked goods such as breads, muffins, or crackers; pre-packaged sandwiches or meals; or other prepared and/or pre-cooked items such as chicken nuggets, that come ready-to-eat or that require no further preparation beyond heating. Non-domestic food products cannot be purchased with SCA funds.

- The Food Safety Inspection Service (FSIS) Guidance provides the following definition for natural, which includes a definition of minimal processing, “Products containing no artificial ingredient or added color and is only minimally processed. Minimal processing means that the product was processed in a manner that does not fundamentally alter the product.”
- The Food Safety Inspection Service (FSIS) issued a proposed rule that used this definition, “Minimal processing may include: (a) Those traditional processes used to make food edible, to preserve it, or to make it safe for human consumption, e.g., smoking, roasting, freezing, drying, and fermenting, or (b) those physical processes that do not fundamentally alter the raw product or that only separate a whole, intact food into component parts, e.g., grinding meat, separating eggs into albumen and yolk, and pressing fruits to produce juices. Relatively severe processes, e.g., solvent extraction, acid hydrolysis, and chemical bleaching, would clearly constitute more than minimal processing.”

Examples of Allowable Costs:

Fluid milk, cheese, yogurt, fruits and vegetables (including 100% juice), grain products such as pasta and rice, meals (whole, pieces or food items such as ground meals); meat alternatives such as beans or legumes. Foods in a wide variety of minimal processing states (e.g. whole, cut pureed, etc.) and/or forms (e.g., fresh, frozen, canned, dried, etc.) are allowable.

CODING/TRACKING/REPORTING OF FUNDS:

The Code of Federal Domestic Assistance (CFDA) for the SCA funds is 10.555. SCA funds should be receipted into eFinance using fund 8058 using revenue code 45558. Expenditure should be recorded directly to this account. No transfers out of this fund are allowed. Also, districts should not use itself as a vendor to pay out of this fund to any of its other accounts (i.e. regular food service, general operating, etc.)

SCA funds may NOT be used to cover the cost of past expenditure and may only be used for current/future expenses. This may include new obligation, or bills on prior unpaid obligations that come due following the SFA's receipt of the SCA Funds.

An example would be an SFA that signed a purchasing contract for fresh produce before the start of the school year that is paid for on a monthly basis. If SCA funds are received by the SFA on September 1, 2022, the SFA could pay invoice for produce that are due on or after that date.

CNU recommends that SFAs purchase the following on separate invoices in order to make coding allowable expenditures less cumbersome for the district's finance staff:

- Milk
- Fresh Produce
- Minimally Processed Meats

PERIOD OF AVAILABILITY OF FUNDS:

All funds must be obligated by the district by June 30, 2023.

RECORD RETENTION AND AUDIT REQUIREMENTS:

SCA funds will be monitored consistent with other school meal program funds, including the school meal programs Administrative Review and annual district audit. SFAs are required to maintain purchasing and other records (including invoices, receipts, etc.) for review and audit purposes for a period of five (5) years after the year the funds are received. The documentation must reflect purchases made by the SFA are consistent with the purpose of the SCA funding. Documents must evidence that SCA funds were used for allowable purposes only. SFAs are not required to proactively provide documentation to CNU regarding those food purchases. This includes districts operating with the services of a Food Service Management Company, including those with a fixed rate contract.

Attachments

- [SCA_Webinar_Follow_Up_QA_112213.pdf](#)
- [Second_Allocaion_SCA_Funding_Calculations_112233.pdf](#)
- [Sp_03-2022_Attachment_A_112242.pdf](#)
- [SP_03-2022_112255.pdf](#)
- [SP15-2022_-_Second_Allocation_112302.pdf](#)