



United States
Department of
Agriculture

Food and
Nutrition
Service

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SUBJECT: Allocation of Administrative Funds for State Costs of
Implementation of New Meal Patterns for the National School
Lunch Program and School Breakfast Program.

TO: Regional Directors
Special Nutrition Programs
All Regions

State Directors
Child Nutrition Programs
All States

The Healthy, Hunger-Free Kids Act of 2010 (the Act), Public Law 111-296, was signed into law by the President on December 13, 2010. Section 201 of the Act requires performance-based cash assistance for school food authorities (SFAs) certified compliant with meal pattern and nutrient standards. This provision requires State agencies (SAs) to certify whether participating SFAs are in compliance with meal requirements and, therefore, eligible to receive performance-based cash assistance for each reimbursable lunch served (an additional six cents per lunch, adjusted annually, available beginning October 1, 2012).

In addition, the Act provides \$50 million for each of two years to help Food and Nutrition Service (FNS) and SAs implement new requirements, including training, technical assistance, and conducting performance-based certifications. Of the \$50 million, FNS will reserve \$3 million per fiscal year (FY) to support Federal administrative activities to carry out this section as authorized in the Act. The State portion of these funds, combined with subsequent increases in State Administrative Expense (SAE) funding, aim to provide resources that SAs may use to assist local program operators to improve the quality of school meals provided to children and come into compliance with the new meal patterns.

Additional guidance pertaining to the administrative funds authorized by Section 201 is as follows:

Timing of Funds

The funds will be available for each of two fiscal years beginning in the fiscal year in which the regulation *Nutrition Standards in the National School Lunch and School Breakfast Programs* is promulgated. Each year's allocation must be obligated by the end of the following fiscal year after the fiscal year in which the funding was issued.

Allocation of Funds

The attached FY 2012 funding allocation is based on each State's portion of SAE funding in the previous fiscal year, as mandated by the Act. Only the portion of SAE funding associated with the National School Lunch Program was used. As noted above, these funds will be provided to States after publication of the regulation promulgating updated meal patterns and nutrition standards.

This allocation process will be completed again in September 2012, for the FY 2013 allocation, to be issued on or about October 1, 2012, or when the full-year appropriation is enacted for FY 2013, whichever comes later. In the event that a full-year appropriation has not been enacted by October 1, 2012, interim funding may be provided under the terms of a continuing resolution.

Allowable Uses of Funding

According to the Act, these 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 increase as outlined in Section 201 of the Act. These funds may not be used for any costs associated with administration of the Child and Adult Care Food Program, the Summer Food Service Program or the Food Distribution Program, and they may not be transferred among programs.

Allowable uses of Section 201 administrative funds must benefit the SA's administration of the Section.

As basic guidelines, the following will apply to these funds:

- Administrative cost means a State-level item of cost chargeable to the organization, management, monitoring, technical assistance, or policy implementation functions:
 - Such items include salaries, fringe benefits, supplies, training, travel, software, equipment or services, and indirect costs;
- These funds may be used to employ additional personnel to supervise, improve management, and give technical assistance to school food authorities; and
- State agencies may also use these funds for their general administrative expenses in connection with Section 201.

All costs charged to Section 201 administrative funds must conform to the general, government-wide criteria for allowable costs described at 2 CFR Part 225 (OMB Circular A-87), Appendix A (http://www.whitehouse.gov/sites/default/files/omb/assets/omb/fedreg/2005/083105_a87.pdf).

These include, but are not limited to, the following:

1. Reasonable and Necessary for Program Purposes. A cost must be generally recognized as ordinary and necessary to the operation of the SA's administration of this Section and its nature and the amount must not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.
2. Allocable. The portion of a shared cost charged to the administrative funds must be commensurate with the cost's benefit to the SA's implementations of Section 201.
3. Consistent. The SA must charge the cost to these administrative funds according to the same policies, regulations, and procedures that apply to costs supported by the SA's own funds.
4. Prior Approval. Appendix B to 2 CFR Part 225 (OMB Circular A-87) identifies some cost items that require FNS's prior approval, in writing, before the SA incurs the cost. Examples include IT systems and capital expenditures for equipment.
5. Net of Applicable Credits. A cost charged to these administrative funds must be net of any rebates, refunds, recoveries, purchase discounts, insurance benefits, or other events that reduce or offset expenditures.
6. Documentation. Costs not supported by documentation will not be allowed.
7. Conform to the criteria given at 2 CFR Part 225 (OMB Circular A-87), Appendix B for specific items of cost. However, a cost item that Appendix B identifies as allowable will not be allowed if it fails the criteria given in Appendix A.
8. Composition of Cost. The total cost of a SA's administrative funds described here is the sum of its direct and indirect costs.

Tracking of Funds

Each allocation is available for a two year period of performance, and each State must report annually the status of these administrative funds on a separate *Federal Financial Report* (SF-425) for each of the two fiscal years associated with the grant period of performance. Thus, an interim annual report will be completed at the end of the first fiscal year, and a final report at the end of the second fiscal year of the grant period. At the end of the second fiscal year after administrative funds were initially awarded, a total of two annual reports will need to be submitted, a final report for the FY 2012 administrative funds as well as the first annual report for the FY 2013 funds. All funds not obligated at the end of each grant period will be recovered.

Regional Directors
State Directors
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State agencies should direct any questions concerning this guidance to the appropriate FNS Regional Office. Regional Offices with questions should contact the Child Nutrition Division.

A handwritten signature in blue ink that reads "Cynthia Long". The signature is written in a cursive, flowing style.

Cynthia Long
Director
Child Nutrition Division

Attachment