

**Attachment B:**  
**Allocation of Supply Chain Assistance (SCA) Funds to Alleviate Supply Chain Disruptions**  
**in the School Meal Programs: Questions and Answers**

**General**

**1. What are some examples of allowable products that SFAs may procure using their Supply Chain Assistance (SCA) funds?**

SCA funds must be used exclusively for the purchase of domestic food products (also known as commodities) that are unprocessed or minimally processed. Examples of some allowable food products include fluid milk and other dairy foods such as cheese and yogurt; fruits and vegetables (including 100% juices); grain products such as pastas and rice; meats (whole, pieces, or food items such as ground meats); and meat alternates 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.

The steps SFAs must take to ensure the domesticity of food products purchased with SCA funds is consistent with the measures taken for all other purchases in the school meal programs (per existing Buy American requirements). The difference is that the limited exceptions provided under the NSLP Buy American provision may not be used since all products must be domestic. In addition, as with all Federal funds, SFAs are required to follow Federal procurement regulations found in 2 CFR 200, which includes the option to utilize emergency noncompetitive procurements.

**2. What are some examples of food products that are not permitted to be purchased using SCA funds?**

Foods 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.

**3. May SFAs use any portion of their SCA funds allocation for labor, supplies or administrative expenses?**

No. SCA funds may only be used for purchases of unprocessed or minimally processed domestic food products for use in school meal programs.

**4. Are non-food costs that are essential to the procurement of unprocessed or minimally processed domestic food products allowable when using SCA funds?**

Yes. Incidental costs (such as those related to shipping and handling or packaging) that are a part of the normal or customary purchase price charged by a vendor for any given food product are an allowable use of SCA funds.

**5. Is there any requirement that the SCA funds for the purchases of unprocessed or minimally processed be limited to local foods?**

No. SFAs are not required to purchase locally grown, raised, or caught foods with SCA funds. SFAs are encouraged to procure local<sup>8</sup> foods whenever feasible, and SCA funds may help make purchasing from local producers an excellent option for addressing unexpected supply chain disruptions.

**6. Are all SFAs eligible for SCA funds?**

No. All SFAs currently operating the NSLP and/or SBP may be eligible to receive SCA funds. However, SFAs that do not operate these Child Nutrition Programs are not eligible for this assistance.

**7. Are charter schools, private nonprofit schools, tribal schools (such as those administered through the Bureau of Indian Education), and Residential Child Care Institutions eligible to receive SCA funds?**

Yes, those SFAs may be eligible provided that they currently operate the NSLP and/or SBP. Eligibility for SCA funds is not distinguished by school type. Those SFAs must be included in State agencies' initial distribution calculations, as described in *Local Distribution Calculations* below.

**8. For which Child Nutrition Programs may SCA funds be used to support the service of meals and snacks?**

SCA funds are available only to SFAs operating the NSLP and/or SBP and may only be used by SFAs to purchase unprocessed or minimally processed domestic food products for those programs. This includes the NSLP Seamless Summer Option (SSO) and NSLP Afterschool Snacks, as these are components of the NSLP.

As such, if an SFA operating NSLP and/or SBP operates other Child Nutrition Programs (i.e. the Special Milk Program, the Fresh Fruit and Vegetable Program, the Summer Food Service Program, and/or the Child and Adult Care Food Program), SCA funds may not be used in conjunction with those programs (i.e. the SFA must limit the purchase and use of domestic food products to support only the NSLP/SBP meal service).

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<sup>8</sup> "Domestic foods" are those grown and produced in the United States of America. "Local foods" are domestic foods, but specifically refer to foods that are grown within a certain proximity - as defined by the State or SFA - of the location where they will be consumed. See question #21.

## **Local Distribution Calculations – General**

### **9. Are SFAs required to accept SCA funds?**

No. SFAs may elect to receive SCA funds from their State agency but are not required to do so. Should an SFA decline or otherwise not accept their allocation, their SCA funds will become available for reallocation by the State agency.

### **10. By what process should State agencies notify SFAs of their eligibility?**

State agencies must notify all SFAs of the availability of SCA funds. The notification may be in any format the State agency chooses, though it is recommended that the State agency uses typical or previously established methods for communicating with their SFAs. The notification must include the SFA's calculated payment amount, information on the proper use of funds, and instructions for completing the required attestation of need/eligibility as a prerequisite for accepting funds. Though not required, State agencies are encouraged to provide at least one follow-up communication and/or reminder, particularly for SFAs that may not have immediately responded to the first notification.

In the case that the State agency elects to target eligibility to SFAs for which at least 25% of their student population is certified for free and reduced price (F&RP) meals (i.e. F&RP enrollment), the State agency is required to notify the SFAs that are not in the target group. The State agency must notify those SFAs of their status and make them aware of the process by which exemption requests will be considered and/or accepted by the State agency.

### **11. Is there a deadline by which State agencies must offer initial payments of SCA funds to SFAs?**

State agencies are strongly encouraged to begin issuing funds as soon as is practicable, and preferably no later than March 1, 2022. The final obligation deadline for State agencies is September 30, 2023 (see question #23).

### **12. In what order must State agencies complete the calculation steps when determining the local payment distribution to SFAs?**

Starting with the full amount allocated to the State agency by FNS, calculation steps should be completed in the following order:

- Withhold up to ten percent (10%) of funds for State-level procurement of local foods (*optional, skip, if not electing*) (see “*Centralized State Purchasing and SFA Purchasing of Local Foods*” section)
- Withhold \$5,000 base payment to each eligible SFA (i.e. all SFAs that administer SBP/NSLP)

- Identify SFAs with less than 25% F&RP enrollment for targeting purposes (*only applicable if State elects targeting option*) (see “*Local Payment Calculations – Targeting Option*” section)
- Allocate remaining funds in proportional amounts based on each SFA’s share of State-wide student enrollment reflective of October 2021.

**13. If an SFA has been suspended or terminated from participation in the school meal programs, or currently has outstanding findings and/or corrective actions from a prior school meal program Administrative Review, are they still eligible to receive SCA funds?**

If an SFA has been suspended or terminated from participation in the school meal programs, the SFA is not eligible to receive SCA funds. SCA funds may only be awarded to current operators of the NSLP and/or SBP.

However, SFAs with outstanding findings and/or corrective actions from a prior school meal program Administrative Review are eligible to receive SCA funds on the basis of being current school meal programs operators.

**14. Are SFAs permitted to accept less than the full amount of their SCA funding allocation?**

Potentially yes. State agencies have discretion to establish a policy allowing SFAs to accept less than their full SCA funding allocation.

**Local Payment Calculations – Targeting Option**

**15. Are State agencies required to target funds to SFAs with at least 25% F&RP enrollment?**

No. State agencies have the discretion to target funds to SFAs with at least 25% F&RP enrollment but are not required to exercise this option.

**16. If choosing to target funds to SFAs with at least 25% F&RP enrollment, which certification data should be used if F&RP applications were not collected?**

During the COVID-19 public health emergency, many SFAs did not utilize F&RP applications. If a State agency chooses to target SFAs with at least 25% F&RP enrollment, then the State agency has discretion to use either:

- 1) Free and reduced price certification data from SY 2019-2020 data;
- 2) Free and reduced price certification data from a more recent school year, if available; or

3) Direct certification data from SY 2021-2022, used to calculate a proxy F&RP rate based on the Community Eligibility Provision identified student percentage (ISP) calculation if F&RP data is not available.<sup>9</sup>

State agencies are strongly encouraged to use a State-wide approach (i.e. choose a single, consistent data source) to the extent practicable when determining F&RP enrollment levels across their SFAs. Should a State agency encounter extensive data availability challenges due to the COVID-19 public health emergency that precludes a State-wide approach, we recommend the State agency contact their FNS Regional Office for further guidance.

**17. If choosing to target funds to SFAs with at least 25% F&RP enrollment, are State agencies required to consider exemptions?**

Yes. A State agency choosing to target funds to SFAs with at least 25% free and reduced price enrollment must offer a process for considering exemption requests from SFAs which do not meet that enrollment target. State agencies may provide exemptions to SFAs that identify a need for SCA funds to mitigate supply chain disruptions. Exemptions may also be provided to SFAs who identify their community has suffered economic impacts during the public health emergency but for which the F&RP application data does not yet reflect that economic circumstance. State agencies are strongly encouraged to complete the process of receiving and approving exemption requests timely so as to make any unclaimed funds available for reallocation as soon as possible.

**18. If electing the option to target funds to SFAs with at least 25% F&RP enrollment, are State agencies required to include all SFAs that fall below this threshold in their distribution calculations?**

Yes. State agencies are still required to include (i.e. calculate payments for) all SFAs that fall below the 25% free and reduced price enrollment threshold within their distribution calculation and allocate SCA funds for each of those SFAs to ensure that adequate resources are available should they request an exemption.

After the exemption process, if any of these funds are not requested by SFAs below the 25% F&RP enrollment threshold, then those SCA funds become available for reallocation at the State's discretion. See the "Reallocation" section of this Q&A for more details.

**19. From which year/period of time should enrollment data be used for the SFA payment calculations?**

Due to the COVID-19 public health emergency, many State agencies have provided flexibilities to schools on how to calculate or report student enrollment information. The State agency should use the State's enrollment reporting guidance and utilize the most

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<sup>9</sup> In this scenario, a 15.6% direct certification rate or higher would meet or exceed the necessary 25% F&RP threshold ( $15.6 \times 1.6 = 25.0$ ).

recent information that provides for a consistent comparison of enrollment across the State.

### **Centralized State Purchasing and SFA Purchasing of Local Foods**

**20. Are State agencies required to withhold and use up to 10% of their SCA funds to make centralized purchases of local foods?**

No. State agencies have the option to use up to 10% of their total SCA funds for the purchase of local foods for SFAs to use in the school meal programs. State agencies are not required to do so.

**21. What local food products may State agencies purchase with SCA funds?**

State agencies have discretion to define “local”, and the definition may vary depending on geographic, governmental, economic, seasonality, or other parameters. State agencies conducting centralized purchasing with SCA funds must purchase unprocessed or minimally processed foods grown, raised, and/or caught within the area the State defines as local.

**22. If a State agency chose to target SCA funds to SFAs with at least 25% free and reduced price enrollment, does that eligibility limitation also apply to the distribution of local foods?**

Yes. State agencies must be consistent in their targeting approach across both cash and in-kind assistance offered to SFAs (i.e. the targeting limitation applies regardless of whether the assistance provided by the State is in the form of cash, or in-kind in the form of local food items). As such, in the instance that a State agency allocates a share of domestic, unprocessed or minimally processed local foods to SFAs that fall below the 25% free and reduced price enrollment threshold (State agencies may do so at their discretion), an exemption will still need to be obtained as described in question #17.

### **Financial Management**

**23. What is the period of performance (i.e. availability) for the SCA funds?**

The period of performance for all SCA funds allocated to State agencies will run from the date of award through September 30, 2023 (i.e. the end of Fiscal Year 2023). This means that State agencies must obligate all SCA funds received from FNS to eligible SFAs no later than September 30, 2023. Each State agency will have 120 days following the period performance end date to close-out their funding.

**24. How will State agencies receive Supply Chain Assistance funds from FNS?**

State agencies will complete an FNS-529 *Award Document* with accompanying Terms & Conditions to receive SCA funds. The terms and conditions will outline the performance period, as well as performance and financial reporting requirements. This includes

contractual language stipulating the purpose and allowable uses of SCA funds, as well as the requirements for State agencies and SFAs described within this guidance document and others that may be published by FNS. State agencies will work with their FNS Regional Office to complete the award process. Please note that the FNS-529 package will be available to State agencies following the release of this guidance.

**25. Must SCA funds be deposited in an SFA's Nonprofit Food Service Account (NPFSA)?**

Yes. Regardless of the disbursement method employed by the State agency, SCA funds may only be deposited into the NPFSA of the SFA for which the funds were intended.

**26. Once deposited into the NPFSA, how are SCA funds to be tracked by an SFA?**

SFAs are required to maintain documentation supporting food purchases that are allowable for SCA purposes (i.e. unprocessed or minimally processed domestic food products) and equal in amount received, consistent with the regular program recordkeeping requirements. However, SCA funds deposited to the NPFSA do not need to be separated from other monies within the account and are not tracked separately from an accounting standpoint.

**27. May SCA funds be used to cover the cost of past (i.e. retroactive) expenditures?**

No. SCA funds may not be used to cover the cost of past expenditures and may only be used for current/future expenses. This may include new obligations, or bills on prior unpaid obligations that come due following the SFA's receipt of SCA funds.

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

**28. May State agencies retain any portion of their SCA funds allocation for administrative expenses?**

No. SCA funds may only be used for purchases of domestic unprocessed or minimally processed foods for use in school meal programs. However, State Administrative Expense (SAE) funds may be used to cover any associated costs of administering and distributing SCA funds.

## Accountability, Oversight, and Recordkeeping

### **29. What data elements or pieces of information must be included on the attestation statements to be provided to SFAs?**

State agencies must develop and distribute to all SFAs that will receive SCA funds and/or domestic, unprocessed or minimally processed local foods an attestation document by which those SFAs will attest that they:

- Are experiencing supply chain disruptions and related financial difficulties/need<sup>10</sup>;
- Will only use funds to purchases domestic unprocessed or minimally processed foods;
- Will not use funds for any labor, indirect, or other administrative expenses;
- Will comply with all recordkeeping and review requirements per 7 CFR 210.9(b)(17) and 7 CFR 210.18, which would include maintaining documentation demonstrating appropriate use of SCA funds; and
- Will comply with all applicable Federal procurement and financial management requirements per 2 CFR 200.

SFAs need only complete one attestation for the receipt of SCA funds or local foods procured by the State agencies; a second attestation is not required in order to receive assistance during the reallocation process (*See 'Reallocation' section*).

### **30. In which format should State agency developed attestations be distributed to SFAs?**

The attestation may be created and distributed in whichever retainable format the State agency chooses (i.e. digital form, PDF template, paper, etc.), though FNS strongly encourages the use of existing/standard instrument types that are convenient for SFAs and facilitate prompt response.

The attestation must include a clear and affirmative acknowledgement of all terms and conditions described above (such as a check box, initial line, etc.) and must be signed and dated (either physically or digitally) by the SFA director or other authorized local official.

If the State agency elected to target funds to SFAs with at least 25% F&RP enrollment, they may combine the exemption process with their attestation document for administrative ease and efficiency. However, in this case, the attestation **must** include a separate, affirmative field(s) or input(s) that applicable SFAs must complete documenting their exemption requests.

### **31. Will SCA funds be monitored as part of the school meal programs Administrative Review and/or FNS review processes?**

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<sup>10</sup> Including unanticipated cancellation of food and supply contracts, lack of availability of certain foods, unexpected substitution of food products, unpredictable increases in food and supply prices, and other obstacles recognized by the State agency



Yes. SCA funds will be monitored consistent with other school meal program funds through the existing oversight measures used in FNS reviews of State agencies and the school meal programs Administrative Review. While State agencies will generally use the same mechanism to review these funds as they do the Buy American provision, all food products purchased with SCA funds must be domestic. Therefore, SFAs may not utilize the limited exceptions to the Buy American provision to purchase non-domestic food products when using SCA funds. In addition, use of funds may be subject to future external audit activity under any existing/standard auditing practices.

**32. What records must SFAs retain in connection with their receipt and use of SCA funds?**

All SFAs are required to maintain purchasing and other records for review and audit purposes. This documentation must reflect that purchases made by SFAs are consistent with the purpose of the SCA funding, i.e., for domestic unprocessed or minimally processed food products, in amounts that are at least equal to funds received. SFAs must retain regular records pertaining to its school food service as required by 7 CFR 210.9(b)(17). This may include invoices, receipts, and other documents provided when the SFA executes purchases with these funds. They must evidence that SCA funds were used for allowable purposes. SFAs are not required to proactively provide documentation to State agencies regarding those food purchases.

**33. What records must State agencies retain in connection with their receipt and distribution of SCA funds?**

In addition to a record of payments made to SFAs and/or State-level procurements of domestic, unprocessed or minimally processed local foods, State agencies must retain attestation statements completed by SFAs prior to execution of funds. In addition, if electing the option to withhold up to 10% of funds for centralized purchases of local foods, all appropriate records must be maintained regarding associated purchase agreements, including documentation supporting how funds were used to procure unprocessed and minimally processed local foods ('local' as defined by the State agency).

**Reallocation**

**34. Are State agencies required to reallocate funds at any particular time during the period of performance?**

No. State agencies may initiate a reallocation of funds at any time during the period of performance that they see fit, provided it does not conflict with any administrative deadlines established for SFAs to accept or decline funds already offered. State agencies are encouraged to complete the reallocation process as soon as is feasible to best ensure a timely and full distribution of funds to SFAs. If funds are available at the beginning of school year 2022-2023, States are encouraged to consider reallocation at that time.

**35. Must SCA funds offered to SFAs during the reallocation process adhere to the same limitations on use that applied to funds offered during the initial allocation?**

Yes. SCA reallocated funds are subject to the same limitations on scope/usage and recordkeeping requirements that apply to funds that were offered initially (i.e. funds may only be used for the purchase of domestic unprocessed or minimally processed foods to support the NSLP/SBP meal service).