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United States Department of Agriculture

Food and Nutrition Service

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Alexandria, VA
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SUBJECT: Farm to School and School Garden Expenses

TO: Regional Directors
Special Nutrition Programs
All Regions

State Directors
Child Nutrition Programs
All States

Recently, we have received several questions about the use of funds from the nonprofit school food service account to cover expenditures related to farm to school activities and school gardens. The questions and answers below address specific scenarios that school food authorities (SFAs) may be dealing with when considering the allowability of such costs. Please see SP 32-2009, *School Garden Q&As* for additional information about school garden expenses.

Food and Nutrition Service's (FNS) goal is to ensure that program funds are used to operate and/or improve the school food service and that schools maintain a financially sound nonprofit food service account. We also encourage innovative ways of meeting the goals of the school meals programs; nutrition, food, and agriculture education and school garden activities may offer a viable opportunity for supporting the programs.

School gardening and other farm to school educational activities can improve school food service operations in a variety of ways. Below is a list of the positive impacts associated with school gardens:

- Improving student attitudes towards fruits and vegetables
- Increasing consumption of fruits and vegetables
- Improving job satisfaction and staff retention
- Providing quality fresh product at competitive prices or no cost, and
- Increasing school meal participation.

Recent research supports the above statements. Please see the ***USDA Farm to School Program website*** *(**usda.gov/farmtoschool**) for a full synopsis.*

Q1: How should SFAs determine if costs associated with nutrition, food, and agriculture education; school gardening; or other farm to school activities are allowable?

A1: School nutrition directors must comply with Federal regulations related to resource management, procurement, and cost principles regarding allowable costs when spending funds from the nonprofit school food service account. The primary purpose of the nonprofit school food service account is to operate or improve a school meals program that serves nutritious meals meeting the meal pattern requirements. When evaluating expenses (including program food, supplies, labor, equipment, services, educational activities indirect costs, etc.), SFAs must ensure the funds are supporting the operation and/or improvement of the school meals program and that all expenses are allowable (i.e., necessary, reasonable, and allocable) in accordance with Office of Management and Budget (OMB) Guidance under the "Cost Principles for State, Local, and Indian Tribal Governments".

SFAs may want to use the following questions to assess if costs associated with school gardens or farm to school activities are allowable expenses from the nonprofit school food service account:

1) Are the farm to school activities or school garden development (including nutrition education, taste tests, aiding in the procurement process, offering marketing support, purchasing garden supplies and equipment) supporting the operation or improvement of the school meal program and are the expenses reasonable?

2) Is the SFAs' food service program currently providing meals in compliance with National School Lunch Program and School Breakfast Program meal patterns and in compliance with resource management (i.e., compliance with the net cash resources in 7 CFR Part 210.14(b) and the availability and priority for use of excess net cash resources per 7 CFR Part 210.19(a)(1))?

3) In cases where only a portion of the school garden coordinator's, or farm to school coordinator's, time is spent directly supporting the school food service operation, does the nonprofit school food service account only cover the portion of the coordinator's salary that is deemed necessary, reasonable, and allocable for the operation of the school meal programs?

Once an SFA has completed this assessment, it may determine that funding a staff position or activities related to nutrition education, school gardening, or farm to school will support the operation and improvement of the Program, and that the associated costs are necessary, reasonable and allocable in accordance with the OMB Guidance under the "Cost Principles for State, Local and Indian Tribal Governments." Continual assessment of these costs is essential to ensure that the nonprofit school food service account can support these activities without placing the SFA at risk for failing to meet the key mission of serving nutritious meals to students meeting the meal pattern requirements.

Note that staff positions strictly supporting horticulture classes, Future Farmers of America clubs or other school associations cannot be funded by the nonprofit food service account.

Q2: Can an SFA use nonprofit school food service funds to buy supplies or equipment for the school garden or school farm?

A2: As noted in SP-32-2009, *School Garden Q&As*, if the garden is used within the context of the school meal programs and serves the purpose of operating and improving the school meal program, supplies and equipment for the school garden may be purchased with funds from the nonprofit school food service account. Many costs associated with the school garden or farm to school efforts are for infrastructure which may last for several school years. Depending on the cost, hoop houses and high or low tunnels may be considered a supply or equipment.

Classifying moveable structures (e.g., hoop houses, high and low tunnels) as a supply or equipment is dependent upon the acquisition cost. 2 CFR Part 225 Appendix B Section 15 defines equipment as an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the governmental unit for financial statement purposes, or $5,000. Therefore, items with an acquisition cost less than the capitalization threshold established by the governmental unit or the federal threshold, $5,000, are considered supplies. Supplies, such as seeds, fertilizer, water cans, rakes, etc., may be considered allowable with the understanding that the products grown in the school garden or school farm are used within the context of the Program.

As with any cost, the SFA should evaluate the expense using the previously listed assessment questions. However, equipment costs (as defined above) require prior written approval of its awarding agency before incurring the cost, unless the equipment has been identified on the State agency list approved by FNS, per SP 31-2014, *State Agency Prior Approval Process for School Food Authority (SFA) Equipment Purchases,* dated March 28, 2014.

Q3: Can an SFA use nonprofit school food service funds to build structures for the school garden or school farm?

A3: Per 7 CFR Part 210.14(a), "revenues received by the nonprofit school food service are to be used only for the operation and/or improvement of such food service, except that, such revenue must not be used to purchase land or buildings unless otherwise approved by FNS, or to construct buildings."

Further, FNS existing policy has been and continues to be to not approve the cost of building purchases because program funds are made available to help support the costs of nutritional benefits for children in school settings. The goal of the nonprofit school food service account is to ensure that an SFA maintains the necessary funding to operate the school meals programs, not used to cover major expenses that should be borne by the school district's general funds (i.e., capital infrastructure costs).

Q4: Can an SFA enter into an intergovernmental (or interdepartmental) agreement to purchase products from the school garden or school farm?

A4: Yes, SFAs may enter into an intergovernmental (also referred to as an interdepartmental) agreement with the school garden or school farm to purchase products from the garden. The entity operating the school garden must be the local educational agencies or another governmental entity. As noted in 7 CFR 3016.36 (b)(5), "to foster greater economy and efficiency, grantees and subgrantees are encouraged to enter into State and local intergovernmental agreements for procurement or use of common goods and services," and in this case the school garden and products from the garden can be considered a common good. A price analysis must be conducted to ensure that products purchased from the school garden are purchased at reasonable prices.

Q5: What are an SFA's options for using products grown in a school garden in the school meal programs?

A5: SFAs have three options for using school garden products in school meals. Note that USDA does not impose specific food safety requirements; however, many State and local health departments have school garden food safety guidance and requirements.

1) Donation – In this case the products grown or raised in the school garden are donated to the cafeteria and may be used in meal preparation and/or for taste testing purposes. Procurement regulations do not apply when products are donated. Schools should ensure the product meets their general food safety requirements. Sometimes, SFAs purchase the inputs for the garden, as allowed under SP 32-2009, *School Garden Q&As*, and then the produce is donated to the cafeteria at harvest.

A5: Continued.

2) Intergovernmental Agreement – With this option, the SFA enters into an agreement with the public entity (usually a school or district) that operates the garden. The agreement may outline the price for the produce, relative timelines and expectations of both parties. This option is most relevant when the school garden is operated by the school or district itself, a department within the district or by another state or local government agency that wishes to sell produce such as a local department of recreation or a state department of agriculture.

3) Purchase – SFAs can conduct a procurement for garden produce. In many cases, the purchase may fall below the most restrictive applicable small purchase threshold, so the SFA may request a quote from the school garden operator and other entities. Geographic preference may be used. Due to the low transportation cost of the garden products, it is likely the price for garden products will be competitive with other suppliers. This option is most relevant when the school garden is operated by a non-governmental entity (e.g., nonprofit organization) that wishes to sell to the school meal programs.

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