

## **SCA Funds for SFA's with a FSMC/Vended Meals Contract/S2S Contract**

School Food Authorities (SFAs) that contract with a Food Service Management Company (FSMC), Vended Meals Company and/or another School through a School to School Agreement are eligible for SCA funds. These funds must be managed by the SFA.

The SCA funds are to be used by the SFA to pay for allowable expenses. These funds are intended to assist SFAs with paying portions of their invoices from the food service contractor for allowable foods and milk in order to address ongoing supply chain challenges experienced by SFAs participating in the National School Lunch Program (NSLP) and/or School Breakfast Program (SBP). For additional guidance on SCA funds including allowable uses please visit our [Supply Chain Disruption](#) webpage and/or listen to our [ISBE Update webinar](#) recording from February 9, 2022.

Determining allowable uses of SCA funds for SFAs that contract for meals can be more complicated than for self-operated SFAs because the SFAs may not have direct access to individual food and milk cost receipts. SFAs that contract receive a monthly invoice that provides the number of meals served multiplied by the per meal rate agreed upon in their contract. Therefore, the Illinois State Board of Education Nutrition Department has developed a couple of options for these SFAs.

The SFA would be responsible for determining which option or combination of options provided on page two that they would like to utilize. Milk and most fruits and vegetables would meet the requirements to be eligible for SCA funds, however many schools do utilize processed grains and meat/meat alternates which would need to be evaluated by the SFA to determine eligibility for SCA funds. For this reason, SFAs that contract for meals are not blanketly eligible to pay the full per meal rate with SCA funds but could utilize one of the options on page two to utilize SCA funds. The SFA would also be responsible for ensuring that the contractor would be willing to provide cost documentation upon request for foods SCA funds were used for and/or if selected for a review or audit.

If the SFA has questions regarding allowability please reach out to our Nutrition Procurement staff at [nutritionprocurement@isbe.net](mailto:nutritionprocurement@isbe.net) or via telephone at 800/545-7892.

## Options

Please note that SFAs may select one or all of these options in order to utilize their SCA funds as long as all USDA requirements for usage are adhered to.

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### MILK NOT INCLUDED IN FOOD SERVICE CONTRACT

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If you are an SFA that contracts for meals but procures/purchases your own milk separately from the FSMC/Vended or School to School contract for the National School Lunch and/or School Breakfast Programs, it is allowable and recommended for the SFA to pay for their milk costs with SCA funds.

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### ACTUAL COSTS

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SFAs may pay the actual costs of allowable foods and milk if they have the documentation required by the USDA from the contractor. This would mean that the FSMC/Vendor/School providing the meals would need to provide the SFA with receipts showing the actual costs of each meal component that they are wanting to pay for with SCA funds. If the FSMC/Vendor/School is willing to share this documentation with the SFA the SFA can pay that portion of their per meal rate with SCA funds. Keep in mind that these are not additional funds that the SFA would be paying to the FSMC above the per meal price, this is the portion of the per meal price that can be paid for with SCA funds.

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### FLAT RATE

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The SFA may use a State determined flat rate (listed below) based on an average price of allowable foods/milk that can be paid for with SCA funds.

If the SFA chooses to use the Flat Rate option, they can pay a portion of the per meal price they are charged out of SCA funds. There cannot be any additional fees or charges to the SFA. The SCA funds could only be used to pay a portion of their per meal rate. Keep in mind that these funds are not additional funds that the SFA would be paying to the contractor above the per meal price, this is the portion of the per meal price that can be paid for with SCA funds. An SFA could implement just one or all of these flat rates.

Milk \$0.35

Fruit \$0.25

Vegetable \$0.25

#### Example:

SFA receives invoice from FSMC/Vended Meals Provider/School for 625 lunches. The per meal rate for lunches in the food service contract is \$4.25 and the total for the invoice is \$2556.25. The SFA could pay up to 85 cents of the per meal rate out of SCA funds. The calculation would be  $625 \text{ lunches} \times .85 = \$531.25$  that could be paid out of SCA funds and the remaining \$2025 of the invoice would be paid for out of the nonprofit school food service account.

For breakfast the SFA could pay up to 60 cents of the per meal rate out of SCA funds.

## Highlights of USDA Q&A's

### **Q) 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.

### **Q) 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.

### **Q) 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.

## ISBE Q&A's

### **Q) Can the FSMC list special fees for items that meet the SCA requirements and those fees be paid for with SCA funds?**

No, the SCA funds can only be used to pay for foods and milk that meet the USDA requirements and the allowable costs would be a portion of the contracted per meal price.

### **Q) If I use the flat fee option, does the contractor need to send me their receipts for milk and fruits and vegetables?**

The SFA would need to obtain an assurance from the contractor that upon request and/or if selected for a review the contractor would need to provide that documentation.

### **Q) If I use the Actual Cost option, does the contractor need to send me their receipts (and other documentation to support domestic product) for foods and milk that meet the SCA requirements?**

Yes. The SCA funds can only be used to pay the actual costs for those foods and milk.

**Q) If the SFA purchases their own milk for the NSLP and/or SBP (its not included in their food service contract) can the SFA pay for their milk with SCA funds and also use the flat rate option to pay for fruits and vegetables from their food contractor?**

Yes, the SFA can pay all allowable expenses on their milk invoices and can also utilize the flat fee option to pay their food contractor for allowable fruits and vegetables using the flat fee option.

**Q) Can the SFA utilize the flat fee option for just milk and not fruits and vegetables?**

Yes.

**Q) Can the SFA utilize the flat fee option for milk, fruit and vegetables and then the cost option for a specific meat/meat alternate that was served that meets the SCA requirements?**

Yes, the SFA would just need to obtain cost receipts from the contractor to determine the allowable costs they can pay for with SCA funds, since only the actual cost of the allowable items would be able to be paid for with SCA funds.

**Q) Can the SFA pay for ala carte milks with SCA funds? How about after school snack milks or foods or milk or foods for the supper program, the Child and Adult Care Food Program (CACFP) and or the Summer Food Service Program (SFSP)?**

USDA Funded Program	Allowable to utilize SCA Funding
National School Lunch Program	YES, Allowable
School Breakfast Program	YES, Allowable
Seamless Summer Option	YES, Allowable
NSLP After School Snack Program	YES, Allowable
Child and Adult Care Food Program (CACFP), including At Risk Supper and Snacks	No, Not Allowable
Summer Food Service Programs (SFSP)	No, Not Allowable
Ala Carte milk and/or foods	No, Not Allowable

**Addition 3/4/22**

**Q) Can the SFA use SCA funds to pay a FSMC or Vended Meal Company for USDA Foods, DOD produce, and/or processed foods containing diverted USDA Foods?**

No. SCA funds cannot be used to pay for USDA Foods, DOD produce, or processed foods containing diverted USDA Foods. SCA funds are to be used to assist the SFA with added expenses for the SFA due to supply chain disruptions. USDA Foods, DOD produce, and diverted USDA Foods are funded by the Federal Food Distribution Program and therefore, are not an expense to the SFA.