USDA
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Food and Nutrition Service

Braddock Metro Center

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SUBJECT: Second Allocation of Supply Chain Assistance (SCA) Funds to Alleviate Supply Chain Disruptions in the School Meal Programs

TO: Regional Directors
Special Nutrition Programs
All Regions

State Directors
Child Nutrition Programs
All States

Issuing Agency/Office:	FNS/Child Nutrition Programs
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General

As the nation continues to recover from the COVID-19 pandemic, school food professionals have met extraordinary challenges to ensure every child can get the food they need to learn, grow and thrive. But circumstances in local communities remain unpredictable and economically uncertain, with supply chains for food and labor stressed and at times disrupted.

This guidance outlines an additional $943 million being provided by the Food and Nutrition Service (FNS) to enhance local school districts' ability to purchase foods for school meals by offering resources needed to address supply chain challenges directly to schools and school districts. FNS expects that these funds, in addition to any unspent funds from the December allocation, will support school food authority operations in school year (SY) 2022-2023

As they prepare for SY 2022-2023, many operators of the National School Lunch Program (NSLP) and School Breakfast Program (SBP) anticipate ongoing challenges in purchasing and receiving food through their normal distribution channels. Throughout SY 2021-2022, these same factors impacted school meals in a variety of ways. Schools have needed to significantly

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revise planned menus as popular and previously available food items may have become more difficult to procure. In some cases, shortages and price fluctuations have made it difficult to provide meals which are appealing to students and meet the NSLP/SBP nutrition and meal pattern requirements.

To help address these challenges, on December 17, 2021, FNS allocated $1 billion in relief funding to State agencies, made available through the Commodity Credit Corporation (CCC) and authorized under the CCC Charter Act [15 U.S.C. 714]. These resources, referred to as Supply Chain Assistance (SCA) funds, were distributed to School Food Authorities (SFAs) throughout SY 2021-2022 and continue to be released to local level program operators by State agencies.

Because the underlying conditions fueling supply chain disruptions and other economic uncertainty remain significant in many parts of the county, FNS is providing an additional $943 million in SCA funds under the same authority to assist school program in their efforts to provide consistent and nutritious school meals to children. State agencies will distribute this second round of SCA funding to eligible School Food Authorities (SFAs) via the same formula used to distribute the first round of funds. SCA funds remains limited to the purchase of unprocessed or minimally processed domestic food products (also referred to as commodities). As a reminder, to receive funds, State agencies and SFAs must administer or operate the NSLP and/or the SBP (i.e. School Meal Programs).

This memorandum provides updated guidance to State agencies on the allocation and use of second round SCA funds, as well as oversight and recordkeeping expectations. A summary of key dates and deadlines is also included.

Funding Allocation

Supply chain issues have significantly impacted school districts' ability to procure nutritious foods for NSLP and/or SBP meal service. The SCA funds are a critical funding stream that will provide an additional financial resource for school districts to purchase domestic food products as part of school districts' efforts to respond to these widespread supply chain disruptions, enhance efforts to strengthen local food supply chains, and help schools to overcome financial and operational barriers while maintaining children's access to nutritious meals.

State-level Funding Allocation

State agencies administering the NSLP and/or SBP in all 50 States, the District of Columbia (DC), Puerto Rico, Guam, and the U.S. Virgin Islands will be eligible to receive these funds, which will be in addition to the previous SCA dollars already received. The amount of SCA funds allocated to each State agency was determined by FNS based equally on: 1) student enrollment data, and 3) annualized program earnings data. Data from SY 2019-2020[1] was used in these calculations, as this time period provides a more accurate depiction of typical enrollment and earnings than more recent school years, which were severely impacted by the COVID-19 public health emergency. State level allocations are shown in

[1] These data comprise earnings from Fiscal Year (FY) 2019 and enrollment from October 2019.

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Table 1 below. This allocation method balances the influence of multiple key school meal program metrics by reflecting both the maximum population that might potentially be served, as well as targeting SCA relief funds towards States with larger percentages of students eligible for free and reduced-priced school meals.

Upon receipt of allocated SCA funds, State agencies will disburse formula-calculated payments to eligible SFAs. The formula allocation for this second round of SCA funds shall be identical to that used to distribute the first round of SCA funds.

Distribution of Funds to State Agencies

Funding allocations will be available to State agencies following the release of this memorandum, via a modification of (i.e. amendment to) the FNS-529 award package that was executed for the purpose of distributing first round SCA funds. As such, the second round of funds will be processed at the Federal level as an increase to the original SCA award. The modified FNS-529 with revised total award amount will also be accompanied by modified terms and conditions. This modification is limited to the data elements required via the FNS-908, Performance Progress Report. The request for States to submit the modified data elements only applies to Quarter 4 reporting in FY 2022 and all quarters in FY 2023. These modified terms and conditions will be provided through the FNS Regional Office. State agencies should work with their Regional Grants Management Administrative Services Office to begin the process of adjusting their award so that additional payments to eligible SFAs can be made as soon as possible. In order to expedite the process of making payments to SFAs, State agencies should claim their SCA funding by August 30, 2022 or risk forfeiture of their allocation.

Local-level Funding Distribution

State agencies will allocate SCA funds to individual school districts using the same predetermined formula that was specified with the first round of funding. This allocation includes two components: a base payment of $5,000 to all eligible school districts, and a proportional funding amount based on each SFA's share of statewide student enrollment. The base payment is intended to ensure that the smallest districts receive a meaningful level of funding. The proportional amount is intended to provide resources that scale with the size of the student population served by an SFA.

State agencies will use the most recent SFA-level enrollment data available to calculate the proportional funding amounts provided to individual school districts, as these data are expected to be readily available in State systems. The enrollment data used should be reflective of the most recent available data but no earlier than October 2021, so long as the selection is made consistently across the State.

Discretionary Allocation Options for State Agencies

The discretionary allocation options available with the first round of SCA funds may also be adopted with this second round of funding. As a reminder, these are:

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- Targeting funds to SFAs with the highest need: State agencies have the option to limit the distribution of funds to SFAs in which at least 25% of the student population is certified for free and reduced price meals, unless an SFA falling outside of this category (i.e. SFAs with free and reduced price certification rates below 25%) can provide evidence of need.

- Supporting local procurement: To support procurement of local foods and strengthening local food supply chains, State agencies have the option to utilize up to 10% of their total SCA funds allocation for State centralized procurement and distribution of unprocessed and minimally processed local foods ('local' as defined by the State) for use by SFAs in the school meal programs. These local foods may then be distributed to SFAs at the State agencies' discretion.

State agencies may select either of these options for use in connection with their second round of SCA funding, regardless of whether they were adopted for the purposes of allocating the first round of funds. Similarly, State agencies that adopted one or both of the discretionary options with the first round of funds may discontinue their use when distributing the second round. Regardless of past implementation choices, States choosing the local procurement option may now calculate up to 10% withholding based on their *total* award amount (i.e. the sum of their round 1 and round 2 SCA awards).

Accountability, Oversight, Reporting, and Recordkeeping

State agencies must develop and provide an attestation statement to all SFAs that would receive SCA funding. The attestation is intended to ensure that the SFA is experiencing a supply chain disruption and financial difficulties related to such; will use SCA funds only for purchasing unprocessed or minimally processed domestic food products; and will continue to observe all existing Program requirements regarding recordkeeping and accountability in connection with the use of their SCA funding. SFAs must complete the attestation in order to receive SCA funds.

For the purposes of distributing second round funding, SFAs that have already signed an attestation are not required to sign another statement in order to receive additional funds. Only SFAs that did not previously sign an attestation to receive SCA funding remain subject to this requirement. State agencies only need to provide a simple opt-in vehicle to SFAs that have already signed an attestation.

State agency reporting requirements are specified in the Terms and Conditions of the FNS-529 award package and will be fulfilled through quarterly submissions of the FNS-908 *Performance Progress Report* and SF-425 *Federal Financial Report*. Please refer to the award Terms and Conditions for further details on the treatment of second round funding in future reports. As noted above, the modified FNS-529 with the revised total award amount will also be accompanied by modified terms and conditions. The modification to the terms and conditions is limited to a change in the data elements required via the FNS-908, Performance Progress Report. Please note, the request for States to submit the modified

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data elements only applies to Quarter 4 reporting in FY 2022 and all quarters in FY 2023. These modified terms and conditions will be provided through the FNS Regional Office.

Reallocation of Funds

Any remaining second round funds may be reallocated at the State agency's discretion consistent with the guidance previously outlined in policy memo SP 03-2022. Because second round SCA funding is considered an addition to the previous award amount, State agencies may comingle reallocate together any sums that may be available from both the first and second funding rounds. Please note that the period of performance for the SCA award has not changed, and that any/all reallocations must be completed no later than September 30, 2023.

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Please refer to the FNS website at *Allocation of Supply Chain Assistance Fuds to Alleviate Supply Chain Disruptions in the School Meal Programs* for detailed guidance on this and other related topics.

The following Table provides some key dates:

Key Dates and Deadlines	
July 31, 2022	Date by which FNS will make SCA funds available to State agencies, i.e., issue amended FNS-529.
August 30, 2022	Recommended date by which State agencies execute their amended FNS-529.
September 16, 2022	Estimated date by which FNS distributes additional funding to State agencies.
September 30, 2022	Recommended date by which State agencies begin making payments to SFAs
December 31, 2022	Recommended date by which State agencies begin SCA funds reallocation process (if applicable, and encouraged sooner if feasible)
September 30, 2023	Period of Performance End Date (Date by which SCA funds must be fully obligated)

State agencies with questions regarding this memorandum should contact their respective FNS Regional Offices.

JESSICA SARACINO

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Jessica Saracino
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Supply Chain Assistance (SCA) Funding Allocation Levels by State	
State	***State Allocation Amount (50% Enrollment/50% Earnings)***
Alabama	$14,718,704
Alaska	$2,458,262
Arizona	$20,677,826
Arkansas[2]	$10,429,993
California	$108,488,770
Colorado	$12,480,738
Connecticut	$8,832,976
Delaware	$2,710,136
District of Columbia	$2,014,792
Florida	$53,814,979
Georgia	$33,666,569
Guam	$606,244
Hawaii	$3,038,830
Idaho	$5,015,725
Illinois	$34,817,745
Indiana	$20,863,057
Iowa	$10,418,378
Kansas	$9,758,112
Kentucky	$15,169,858
Louisiana	$15,954,177
Maine	$3,704,494
Maryland	$14,067,292
Massachusetts	$16,838,582
Michigan	$27,673,302
Minnesota	$16,411,711
Mississippi	$10,638,776
Missouri	$18,276,209
Montana	$3,490,480
Nebraska	$7,093,679
Nevada	$7,823,031
New Hampshire	$2,651,491
New Jersey	$23,578,530
New Mexico	$7,349,804

[2] In Arkansas, a separate state agency (AR DHHS) administers NSLP/SBP in private schools. This agency will receive the following sum, deducted from the total listed for Arkansas in the table: **$269,069**

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New York	$56,040,821
North Carolina	$26,663,432
North Dakota	$2,725,928
Ohio	$33,313,782
Oklahoma[3]	$14,253,795
Oregon	$9,745,504
Pennsylvania	$32,151,594
Puerto Rico	$5,626,668
Rhode Island	$2,650,194
South Carolina	$14,559,300
South Dakota	$3,099,417
Tennessee	$19,309,356
Texas	$104,921,361
Utah	$9,154,114
Vermont	$1,585,521
Virgin Islands	$213,814
Virginia	$20,605,744
Washington	$17,183,276
West Virginia	$5,752,042
Wisconsin	$16,369,076
Wyoming	$1,542,009
Total	**$943,000,000**

[3] In Oklahoma, a separate state agency administers NSLP/SBP in private schools. This agency (OK DHS) will receive the following sum, deducted from the total listed for Oklahoma in the table: **$307,637**

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