



Food and
Nutrition
Service

DATE: November 13, 2018

Park Office
Center

SUBJECT: Allocation of Funds to Support Costs Associated with the Storage and Distribution of Trade Mitigation Program Foods

3101 Park
Center Drive
Alexandria
VA 22302

TO: Regional Directors
Special Nutrition Programs
MARO, MPRO, MWRO,
NERO, SERO, SWRO, and
WRO

State Directors
All TEFAP State agencies

Under the statutory authority of the Commodity Credit Corporation (CCC), the U.S. Department of Agriculture (USDA) is administering a Trade Mitigation Food Purchase and Distribution Program (Trade Mitigation Program) to purchase up to \$1.2 billion in USDA Foods. The bulk of this food will be distributed through The Emergency Food Assistance Program (TEFAP), which is USDA's primary outlet for foods purchased through market support mechanisms. These foods will be provided to State agencies in addition to TEFAP entitlement and bonus foods.

Due to the substantial increase in the total amount of food expected to be delivered to TEFAP State agencies and their eligible recipient agencies (ERAs) as a result of the Trade Mitigation Program, USDA is making CCC funds available to assist with the operational costs of the receipt, storage, and distribution of these foods. These funds will be provided in addition to TEFAP administrative funds that FNS provides to State agencies each fiscal year subject to appropriation by Congress.

Up to \$50 million will be available nationally to support TEFAP ERA operational expenses associated with Trade Mitigation Program foods. These funds will be allocated among State agencies by a formula based on the amount of food ordered by each State. State agencies will be responsible for the administration of these operational funds and will have the flexibility to determine how to distribute specific amounts to their ERAs for the purpose of supporting Trade Mitigation Program food operational costs. One hundred percent of these funds must be passed through by the State to their TEFAP ERAs. These funds will be administered through the Agricultural Marketing Service's (AMS) public voucher process and will not flow directly through FNS.

USDA is an Equal Opportunity Provider, Employer and Lender

FNS is also exploring opportunities to provide a limited amount of funding to support State-level operational expenses related to Trade Mitigation Program foods. FNS will provide further information on the potential for this funding as it becomes available.

The following guidance pertains only to the \$50 million being offered to the States for their ERA costs related to the receipt of Trade Mitigation Program foods.

Allocation of Trade Mitigation Program ERA Operational Funds

The Trade Mitigation Program will be completed in four phases over the course of the next year. No funds will be allocated for phase one ordering as it has already been completed. For the remaining three phases, FNS is establishing a per-truck grant amount. States agencies are eligible to receive the per-truck grant amount for each truck of Trade Mitigation Program foods ordered. The per-truck grant for phase two is \$2,000 per truck of any Trade Mitigation Program product ordered. FNS will announce the phase three and four per-truck grant levels in subsequent guidance but anticipates that the per-truck grant amount for phases three and four will be of similar value to the phase two grant.

State agencies must pass through 100% of this funding to those TEFAP ERAs that receive Trade Mitigation Program foods. However, States will have the discretion to determine how best to allocate the funds among their ERAs based on Trade Mitigation Program operational needs, as the level of funding available is not anticipated to support all costs associated with the receipt, storage, and distribution of these foods.

Allowable Uses of Trade Mitigation Program ERA Operational Funds

As discussed above, these funds are only available for allowable and reasonable ERA costs associated with the receipt, storage, and distribution of Trade Mitigation Program foods. While these funds may be used for the same purposes as regular TEFAP administrative funding, their use is limited to expenses associated with Trade Mitigation Program foods. Trade Mitigation Program ERA operational funds must be tracked and reported separately.

Disbursal of Trade Mitigation Program ERA Operational Funds

Once all orders for phase two of the Trade Mitigation Program have been provided to FNS by State agencies, FNS will provide a summary chart to each State showing the amount of Trade Mitigation Program storage and distribution funds offered for their ERAs. State agencies will be responsible for notifying FNS of the amount of funding they will accept for disbursement to their ERAs. The same process will be used for phases three and four.

Once State agencies have confirmed the amount of funding they will accept, funds will be issued through the Web-Based Supply Chain Management system (WBSCM) via the public voucher process. To receive payment, State agencies must be registered and active in SAM and their DUNS number must be on file in WBSCM. Over the next few

weeks, FNS staff will be working to confirm this information is in place for all TEFAP State agencies.

Recordkeeping, Reporting, and Financial Controls

TEFAP State agencies and their ERAs must ensure financial controls are in place to confirm these funds are used for allowable expenses associated with Trade Mitigation Program foods. State agencies must maintain records documenting the amount of funds received and provided to their ERAs as well as documentation for expenses covered with these funds. Records and supporting documentation must be retained for a period of three years. Please note that while monies allocated in phase two may also be used to support phase three and four costs as needed, these funds may only be used for the allowable expenses incurred in Fiscal Year (FY) 2019.

Resources to Support TEFAP and the Trade Mitigation Program

Since this funding is not anticipated to cover all ERA operational costs associated with Trade Mitigation Program foods, we encourage State agencies to use all current program flexibilities to cover any unmet needs. State agencies currently have FY 2019 TEFAP administrative funding available under a continuing resolution through December 7, 2018. Once Congress provides the annual appropriation for the program, TEFAP State agencies will have the flexibility to convert up to 15 percent of their TEFAP food entitlement into TEFAP administrative funds. FNS estimates that States will be able to convert up to a total of \$44 million in TEFAP food funds to TEFAP administrative funds, based on an anticipated FY 2019 food funding level of \$294 million. FNS strongly encourages States to convert the maximum amount allowable to support additional administrative needs and will work with States to the extent feasible to provide opportunities for TEFAP funding conversions throughout the year as funds are made available.

Finally, to ensure the additional foods made available under the Trade Mitigation Program are utilized to the fullest extent possible and in a timely manner, FNS encourages State agencies to work closely with their partner ERAs. As with regular TEFAP entitlement and bonus foods, Trade Mitigation Program foods can only be offered to ERAs with which there is a signed TEFAP agreement in place, in accordance with 7 CFR 251.2(c)(2). State agencies can add new ERAs to their networks to accommodate the increased food offerings. As always, all TEFAP ERAs are required to follow applicable rules and regulations as outlined in 7 CFR parts 250 and 251.

TEFAP State agencies with questions should contact their respective FNS Regional Office, who may in turn contact Polly Fairfield at (703) 305-2956.

/s/ Original Signature on File

Laura Castro

Director

Food Distribution Division