



Food and
Nutrition
Service

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Braddock
Metro Center

SUBJECT: Child Nutrition Program Emergency Operating Costs During
COVID-19: Implementation Guidance for State Agencies¹

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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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Summary:	(1) This memorandum provides implementation guidance pursuant to the statutory requirements outlined in Sec. 722 of the Consolidated Appropriations Act, 2021 (the Act). (2) This memorandum applies to State agencies administering the National School Lunch Program, School Breakfast Program, and Child and Adult Care Food Program. (3) This memorandum details instructions and administrative procedures for participation in the reimbursement program established in Sec. 722 of the Act, which makes funding available via State agencies to program operators for the purposes of covering emergency operating costs incurred during the public health emergency.
Disclaimer:	The contents of this guidance document do not have the force and effect of law and are not meant to bind the public in any way. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.

The following emergency operational costs reimbursement is now available as an option through Sec. 722 of the Consolidated Appropriations Act, 2021. Per the statute, FNS is required to release implementation guidance detailing the application process for States within 30 days of enactment. Due to this regulatory requirement, FNS has not yet been able to obtain the PRA approval for this process. FNS plans to submit an emergency Information Collection Request detailing this reimbursement program to OMB in order to obtain this necessary approval. FNS will inform State agencies when this approval has been obtained.

¹ Pursuant to the Congressional Review Act (5 U.S.C. §801 et seq.), the Office of Information and Regulatory Affairs designated this memo as *not major*, as defined by 5 U.S.C. § 804(2).

General

Pursuant to Section 722 of P.L. 116-260, the Consolidated Appropriations Act, 2021, Title VII, Chapter 3 (the Act), the Food and Nutrition Service (FNS) is offering additional funds to State agencies administering the National School Lunch Program (NSLP), School Breakfast Program (SBP), and the Child and Adult Care Food Program (CACFP) to provide local operators of those programs with additional reimbursements for emergency operating costs they incurred during the public health emergency. These additional funds will be provided by way of two temporary reimbursement programs, the *School Programs Emergency Operational Costs Reimbursement Program* and *Child and Adult Care Food Program Emergency Operational Costs Reimbursement Program*.

To participate in these reimbursement programs, State agencies must opt-in by submitting an application and implementation plan to FNS. This memorandum provides:

- 1) Guidance to State agencies on completing the application process;
- 2) Details on how payments to program operators are calculated; and
- 3) A summary of key dates and deadlines.

Purpose and Scope

These reimbursement options provide additional funding for local Child Nutrition Program operators whose revenues declined or were temporarily interrupted during the early months of the pandemic due to COVID-19 related restrictions and closures. Throughout this exceptionally challenging time, program operators experienced widespread and significant gaps in funding, and in many cases were forced to expend their savings, draw funds from other sources, and cut or even suspend operations. The relief provided by these reimbursements is intended to help address such shortfalls and ensure that program operators are in the best position to rebuild while continuing to serve their communities.

State agencies choosing to participate in these reimbursement programs shall provide local level operators administering the school meal programs and/or CACFP reimbursements for emergency operating costs incurred during the months of March – June 2020. The amount of funding provided to each program operator will be determined using a statutory formula established under the Act and described in this memorandum. States that choose to participate must implement the reimbursement program(s) statewide, with equal access for all eligible program operators.

Upon receipt of reimbursement funds, State agencies will disburse formula-calculated payments to eligible program operators based on an implementation plan submitted by the State agency, which is subject to approval by FNS. Funding allocations will remain available to State agencies until **September 30, 2021**; after this date, no additional obligations may be incurred by the State. However, State agencies may continue to distribute reimbursement funds that they received from FNS prior to this deadline to their program operators. Liquidation of State level obligations must occur by **January 31, 2022** consistent with Government-wide grant rules. No later than **March 31, 2022**, any remaining

unexpended funds must be recovered by the State agency and returned to FNS. FNS does not anticipate recoveries from program operators, as funds provided to such entities will be considered expended upon receipt.

How to Apply

To receive funding under either of these reimbursement programs, State agencies must submit an application to FNS no later than **February 25, 2021**, which, at a minimum, establishes their intent to participate in one or both programs, and contains a narrative plan for how they will calculate and disburse funding to program operators. States must also include in their application a commitment to submit an implementation plan, which is detailed below. Applications should be submitted to **SM.CNOperationalCosts@usda.gov**.

Subsequently, the State will be required to complete an implementation plan by providing FNS with supplemental information no later than **April 26, 2021**, which includes:

- 1) An estimate of the number of program operators eligible for payments, organized by recipient type (i.e., SFAs, day care home sponsoring organizations, etc.);
- 2) An estimate of total funding amount needed by the State agency in order to effect such payments, organized by reimbursement month;
- 3) Any substantive updates to the process by which payments are calculated and disbursed to program operators, if applicable;
- 4) A projected timeline for disbursement of payments to program operators;
- 5) A narrative description of how the State agency will accomplish the following:
 - Ensure the accuracy of payment calculations;
 - Notify program operators of payments; and
 - Collect and document summary information on the use of these funds by the State and each program operator.

For State agency convenience, and to facilitate compliance with the program implementation timeline required by the Act, FNS has included a State agency application template (Attachment 1) with this memorandum for the application due **February 25, 2021**. State agency submissions must include all required pieces of information specified by FNS through this guidance. A similar template and further guidance will be provided to States by FNS in a future publication to facilitate completion of the implementation plan due April 26, 2021.

Additional details on the payment calculation formula, operational requirements, and application process for these reimbursement programs are found in the Q&A (Attachment 2) included with this memorandum.

School Programs Emergency Operational Costs Reimbursement Program

State agencies administering the NSLP and/or SBP participating under this option will

receive funding to be provided in the form of payments to eligible school food authorities (SFAs) operating in their State. Payments to SFAs may be made for each of the months of March, April, May, and June 2020.

Payment (or Reimbursement) Calculation

The value of the payment provided to each eligible SFA for the *reimbursement months* of March, April, May, and June 2020 must be calculated based on the total amount of Child Nutrition Program reimbursements earned by those SFAs during the same *reference months* in 2019 (i.e. when calculating the April 2020 payment, the *reference month* is April 2019). For the purposes of this calculation, applicable Child Nutrition Program reimbursements include those earned for meals and supplements served under the NSLP, SBP, and Summer Food Service Program (as codified at 7 CFR Parts 210, 220, and 225, respectively). The total amount of Child Nutrition Program reimbursements earned during the *reimbursement month* in 2020 is first subtracted from the total reimbursements earned during the *reference month*. The difference between these two figures is then multiplied by a factor of .55 (55 percent) to arrive at that month's payment amount. If the result of any payment calculation is a negative number, the payment available for that month is zero.

Per the language of the Act, and in line with the general timing of expected closures at the beginning of the public health emergency, reimbursement payments are available for that operating costs for the full months of April, May, and June, but only half of the month of March. Therefore, when calculating payment for the month of March 2020 only, the result of the formula described above is divided by two in order to determine the final payment amount.

If an SFA was a new program operator in 2020, and therefore not operating during the months of March, April, May, and/or June 2019, the payment calculation employs an alternative reference period. Instead of using the amount reimbursed for the reference months in 2019, the average amount for reimbursements earned by the new SFA in January and February 2020 are used.

Additional details on the calculation of program benefits, including examples, may be found in Attachment 2 to this memorandum.

Additional Program Rules

- Eligibility is limited to SFAs that have maintained their Child Nutrition Program participation by filing valid meal claims for any of the months of September – December 2020, or have provided assurance to the administering State agency that they *will* file a claim during the first full semester/term (or equivalent) occurring after the end of the public health emergency², as determined by the State.
- The State agency will be provided with an amount equal to no more than 1 percent

² A public health emergency declared pursuant to section 319 of the Public Health Service Act (42 USC 247d) resulting from the COVID-19 pandemic or any renewal of such declaration.

of the reimbursements described above to cover its own administrative costs.

- The State agency will maintain proper documentation and effective oversight of payments and activities under this reimbursement program, which is subject to review by FNS.
- The State agency must complete a report to FNS no later than **March 31, 2022** that includes a summary of the use of program funds by the State agency and SFAs that received benefits.

CACFP Emergency Operational Costs Reimbursement Program

State agencies that administer the CACFP participating under this option will receive funding to be provided in the form of payments to eligible institutions, day care homes, and unaffiliated centers operating in their State. "Institutions" include: sponsoring organizations; and independent child care centers, adult care centers, outside-school-hours care centers, at-risk afterschool centers, or emergency shelters. Payments to eligible recipients may be made for each of the months of March, April, May, and June 2020.

Payment (or Reimbursement) Calculation

The value of the payment provided to each eligible recipient for the *reimbursement months* of March, April, May, and June 2020 must be calculated based on either the total amount of CACFP reimbursements earned by recipients for meals and supplements served under the provisions of 7 CFR Part 226, or for day care home sponsoring organizations, the total amount of administrative funds received, during the same *reference months* in 2019 (i.e., when calculating April 2020 payments, the *reference month* is April 2019). The total amount of applicable CACFP reimbursements or administrative funds earned during the *reimbursement month* in 2020 is first subtracted from the total reimbursements or administrative funds earned during the *reference month*. The difference between these two figures is then multiplied by a factor of .55 (55 percent) to arrive at that month's payment amount.

If an institution, day care home, or unaffiliated center was a new program operator in 2020, and therefore, not operating CACFP in 2019, the payment calculation employs an alternative reference period. The reimbursement is based on the average amount for reimbursements earned by the new program operator in January 2020 and February 2020.

If the result of any institution, day care home, or unaffiliated center's payment calculation is a negative number, the payment available for that month is zero. When calculating payments for the month of March 2020 only, the result of the formulas described above are divided by two in order to determine the final payment amount.

Additional details on the calculation of program payments, including examples, may be found in Attachment 2 to this memorandum.

Additional Program Rules

- Eligibility is limited to institutions, day care homes, and unaffiliated centers that have maintained their Child Nutrition Program participation by filing valid claims for any of the months of September – December 2020, or have provided assurance to the administering State agency that they *will* file a claim within the first 90 days after the end of the COVID-19 pandemic.
- The State agency will be provided with an amount equal to no more than 1 percent of the reimbursements described above to cover its own administrative costs.
- The State agency will maintain proper documentation and effective oversight of payments and activities under this reimbursement program, which is subject to review by FNS.
- The State agency must complete a report to FNS no later than **March 31, 2022**, that includes a summary of the use of program funds by the State agency and program operators that received benefits.

The following table provides some key dates for participation in the reimbursement program:

Key Dates and Deadlines	
February 25, 2021	Initial application due to FNS including participation status and narrative disbursement plan
April 26, 2021	Supplemental application/full implementation plan due to FNS
June 30, 2021	Recommended date by which States should begin disbursing funds to program operators
August 31, 2021	Recommended deadline for State to request additional funds from FNS
September 30, 2021	Funds availability (obligation) deadline
January 31, 2022	Funds distributed to program operators (liquidation) deadline; recovery process begins
March 31, 2022	All unliquidated funds returned to FNS; implementation report due

Regional and State Directors
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State agencies with questions regarding this memorandum should contact their respective regional offices.

Original Signed

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Attachments:

- 1: State Application Template
- 2: Q&A