



**United States
Department of
Agriculture**

Food and
Nutrition
Service

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Alexandria, VA
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DATE: September 4, 2009

MEMO CODE: SP 40-2009

SUBJECT: Obligations of 2009 Equipment Assistance Grants for School Food Authorities

TO: Regional Directors
Child Nutrition Programs
All Regions

State Directors
Child Nutrition Programs
All States

On April 8, 2009, memorandum number SP 23-2009, "Additional 2009 Equipment Assistance Grants for School Food Authorities Questions and Answers," provided clarification on the length of the American Recovery and Reinvestment Act of 2009 (ARRA) funding. Page six (6) of that memorandum states the following: "The ARRA equipment assistance grant funds are two-year funds and available to FNS for obligation to State agencies through Federal fiscal year 2010. In order to ensure funds are expended by the end of Federal fiscal year 2010, any ARRA grant funds not obligated by a State agency to their subgrantees (i.e., their SFAs) at the end of Federal fiscal year 2009, will be recovered and reallocated. FNS may choose to recover the unobligated funds and reallocate them to other States. State agencies do not have the authority to retain or obligate ARRA funds that are unobligated as of September 30, 2010. FNS must monitor the obligations and ensure funds are fully obligated by the end of fiscal year 2010." This memorandum is to provide information on the recovery and reallocation of unobligated ARRA funds.

Based on the information collected from the Regions regarding the ARRA grant awards, it appears that a little over \$100,000 remains unobligated at the State level of the \$100 million allocated. FNS must reallocate unobligated or recovered funds according to the terms of the ARRA, which requires a reallocation among States based on each State's school meals administrative expense allocation. Since a minimal amount of unobligated ARRA grant funds remain, reallocation at this time would provide minimal reallocation funding for each State, making it unlikely the States could provide School Food Authorities (SFAs) with adequate funding to purchase the approved food service equipment. While FNS will be required to recover the unobligated funds, it would benefit SFAs for State agencies to make every effort to award any remaining ARRA funds by September 30, 2009.

Unobligated funds are funds that the State agency has not awarded to an SFA and remain at the State agency. Obligated funds are funds that have been awarded to an SFA for the purposes of the ARRA equipment assistance grants.

Obligations at State Agency Level:

As stated above, States have until September 30, 2009, to obligate all of the allocated ARRA grant funds to those SFAs chosen for award. To avoid recovery of any unobligated funds, State agencies may choose to either 1) conduct a new award process, or 2) award the next applicant approved for an ARRA grant that had not receive funds initially. Partial awards may be given, e.g., an applicant applies for \$5,000, but only \$2,000 remains unobligated; therefore, the applicant, if willing to accept the grant, will receive a \$2,000 ARRA grant instead of the full \$5,000 requested.

Liquidation of Award at SFA Level:

ARRA grant funds provided to the SFA by its State agency for the purchase of food service equipment must expend or liquidate these funds by September 30, 2010. Funds that remain unliquidated are considered unexpended funds. Liquidated funds means the SFA has purchased the approved equipment with the awarded ARRA equipment assistance grant funds. While SFAs have until September 30, 2010, to expend their awarded funds, they are strongly encouraged to liquidate the ARRA grant funds as quickly as possible.

In some cases, an SFA may also have unliquidated or unexpended funds resulting from equipment purchases being lower than originally estimated in their grant application. In situations such as these, where the approved equipment has been purchased and some ARRA funds still remain unexpended. To the extent it can, State agency should recover these funds prior to September 30, 2009. Once these unexpended funds are recovered the State agency may either 1) conduct a new award process, or 2) award the next applicant approved for an ARRA grant that had not receive funds initially. Again, partial awards may be given. However, please note that all awards must be made on or before September 30, 2009; the States cannot make new awards on or after October 1, 2009.

Funds recovered by the State agency prior to September 30, 2009, may be reallocated by the State to the next eligible applicant. All awards must be used by the SFA for purchases approved in the ARRA grant award. It is strongly encouraged that State agencies recover any unexpended funds and make new awards as soon as possible.

State agencies with questions on this memorandum should contact their Regional Offices. Regional office questions should be directed to Lynn Rodgers-Kuperman.

Original Signed

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