Subject: Summer Food Service Program (SFSP) Pilot Projects: Budget Requirements for Schools Participating in the SFSP 14 State Pilot Project.

To: STATE AGENCY DIRECTORS - Iowa, Kansas, Nebraska, (Special Nutrition Programs) North Dakota, and Wyoming

The Consolidated Appropriations Act, 2001 (Pub. L. 106-554) amended the Richard B. Russell National School Lunch Act (NSLA) to authorize schools and other public sponsors in eligible States to participate in a pilot project to eliminate the operating and administrative cost comparisons required by Sections 13(b)(1)(A) and (b)(3) of the NSLA and the SFSP regulations at 7 CFR 225.9(d)(7) and (d)(8).

We had previously stipulated that all sponsors participating in the pilot project were required to comply with the SFSP regulations pertaining to the submission of budgetary information, specifically, 7 CFR 225.6(b)(7), (c)(2)(ii)(B) and (c)(3)(ii)(B), and 225.9(a), (c)(2)(1), and (d)(8)(i). The purpose of this memorandum is to provide State Agencies (SA) the authority to waive the requirement that public and private nonprofit schools submit a budget either as a part of the application process or at any other time during the operation of the program provided that the school:

- participated in the National School Lunch Program (NSLP) in the school year preceding their participation in the SFSP, or
- is currently participating in a year-round NSLP and providing SFSP meals during vacation breaks.

Waiving this requirement will allow schools to operate the SFSP in a manner similar to their administration of the NSLP. SAs may execute this as a blanket waiver, applicable to all eligible schools, or on a case-by-case basis.
The budget serves three primary functions: it is a planning document, an element in determining SFSP administrative reimbursements and start-up payments, and a means by which to identify unallowable costs. The following discussion of each of these three functions provides guidance to SAs and sponsors on the effect of the additional flexibility.

Planning Document
We recognize and value the contribution of a SFSP specific budget as a planning document; however, for schools that administer the NSLP, the SFSP application should provide sufficient information to demonstrate their capacity to administer the SFSP.

Determining Administrative Reimbursements/Start-up Payments/Advances
SAs that choose to waive the requirement that eligible schools submit a budget may use actual summer program costs from the preceding year, or a reasonable projection based on planned participation to determine the 20 percent ceiling on start-up payments in lieu of the approved administrative budget as described in 7 CFR 225.9(a). SAs that use a sponsor’s budget to estimate the appropriate level of advances will need to establish alternative means and criteria by which to make their assessment.

Allowable Costs
States electing to waive this requirement should encourage schools to exercise caution regarding costs allocated to the program. Unallowable costs previously identified during the budget/budget amendment process will go undetected by the State agency until a review and/or audit is conducted. Schools should be made aware of the increased liability they will incur as a result of eliminating the budget review process.

Even though all sponsors participating in the pilot project will receive administrative and operating reimbursement payments without comparison to actual costs, and States may choose to exempt eligible schools from the requirement to submit a budget, program funds may only be used for allowable costs. In addition, sponsors must maintain records of expenditures.
Nonprofit Food Service
Sponsors participating in these pilot projects must continue to maintain a nonprofit food service for children, as required by Section 13(a)(1) of the NSLA. Benefits to children and the quality of program administration must not be diminished by this effort to reduce the administrative burden for school sponsors.

Duration
Although the pilot projects will operate through Fiscal Year 2003, we are granting SAs the authority to waive the requirement to submit a budget for this year only. We may extend it for the remaining year of the SFSP 14 State Pilot Project if it is determined to be beneficial to the program.

Participation
We are requesting that you notify our office if you have exercised this option by September 16, 2002.

Brian Allison
Acting Regional Director
Special Nutrition Programs