

MEMORANDUM

TO: Food Service Directors and Business Managers
FROM: Conor Floyd, Grant Programs Manager
SUBJECT: Local Foods Incentive Grant
DATE: November 12, 2021

Purpose

This memo is intended to provide an overview of the new Local Foods Incentive Grant created by the Vermont Legislature in [Act 67](#) and signed by Governor Scott on June 8, 2021. This memo details what will be required for Supervisory Unions (SUs) and School Districts (SDs) applying for the grant in School Year (SY) 2021-2022, the tracking requirements for subsequent years¹, and what foods will count as “local” for the purposes of this grant. Please note that this grant is only available to SU/SDs and is **not** available to independent schools participating in the federal school meals programs.

Baseline Year Grant

Starting in SY 21-22, SU/SDs are eligible to apply for the Local Foods Incentive Grant. The first year an SU/SD applies for the grant is considered the Baseline Year, in which there are four grant requirements. Achieving a specific local purchasing threshold is not required for the Baseline Year grant.

SU/SDs that elect to not participate in the Local Foods Incentive Grant during SY 21-22 will remain eligible to participate during the following school years. Whenever an SU/SD chooses to participate, they will begin in the Baseline Year.

Baseline Year Grant Requirements

In order to be eligible for the Baseline Year grant, a Supervisory Union must:

- (A) Develop a locally produced foods purchasing plan that describes the SU/SD’s **goals for purchasing locally produced foods and plan to achieve those goals**. It will be important to include in the plan how the SU/SD intends to procure local foods to ensure all state and federal procurement regulations are being followed. If using [geographic](#)

¹ Currently, the State Legislature has appropriated \$500,000 to the program for FY2022. All references to future years are subject to continued funding for the program as appropriated by the Legislature.



[preference for raw agricultural products](#), include a list of items the preference will apply to, what area will count as local, and what points will be awarded to local bids. If using other procurement methods, please specify those in the plan as well.

There is no required format for the locally produced foods purchasing plan as long as it addresses the points laid out in the previous paragraph, but SU/SDs looking for guidance are recommended to use this [VT FEED template](#). Support is available from [AOE Child Nutrition Programs](#) and our partners at [VT FEED](#).

(B) Designate an individual as the Food Coordinator for locally produced foods who will be responsible for implementing the locally produced foods purchasing plan. This could be a Food Service Director, Business Manager, Sustainability Coordinator, Farm to School Coordinator, or a new position. An employee of a Food Service Management Company (FSMC) could also fulfil this role.

This role is especially important for SU/SDs with disbursed School Nutrition Program operations (i.e. purchasing done at the school building level rather than the SU/SD level) as this is an SU/SD level grant. If food purchases are made at the school building level rather than at the SU/SD level, individual school reporting must be combined by the Food Coordinator for reporting to the Agency of Education (AOE). All local food percentages will be calculated at the SU/SD level and grant awards will be made to the SU/SD.

(C) Develop a process for tracking the purchase of locally produced foods. If opting for one of the two AOE pre-approved tracking methods, indicate which method is being utilized (see below for additional details). If an alternative tracking method is preferred, the procedure will need to be reviewed by the AOE for approval.

(D) Provide an estimate of the cost of all locally produced foods used in the SU/SD's school lunch, breakfast, and summer meal programs during the previous school year. This will be completed by all SU/SDs when completing their annual Financial Report.

Baseline Year Grant Timeline

December 31st, 2021: When completing the annual Financial Report, SFAs will be asked to estimate the percentage foods purchased that were locally produced for the school breakfast, lunch, and/or summer meals program during SY 20-21.

January 15th, 2022: Grant application due to the AOE. One SU/SD-level application, signed by the business manager, must be submitted. Applications will open in December 2021.

March 31st, 2022: The AOE will make the grant payment to the SU/SD.

Baseline Year Grant Awards

Successful applicants in the Baseline Year of the Local Foods Incentive Grant will be awarded \$0.15 per lunch served during SY 20-21 (lunches served under the NSLP and SFSP will both be counted) regardless of the amount of locally produced foods purchased by the SU/SD. **If grant awards exceed the total appropriated funds, awards will be prorated.** Please see the

accompanying document, "Local Foods Incentive 2022 Baseline Year Grant: Possible Award Amounts", to see the maximum and minimum possible award amounts per SU/SD.

Subsequent Year Grants

After the Baseline Year, an SU/SD may apply annually through the grant program for continued funding, contingent on continued legislative appropriation for the grant program. SU/SDs will be required to achieve a locally produced foods percentage of at least 15% in order to receive a grant award. The locally produced foods percentage is calculated by taking the total cost of foods qualifying as local and dividing that by your total food costs.

Reminder: The locally produced foods percentage is calculated at the SU/SD level, meaning that all schools within the SU/SD will have their purchasing numbers combined.

Tracking Requirements for Subsequent Years

In subsequent years of the grant, extensive tracking of the SU/SD's food purchases will be required in order to assure the locally produced foods percentage laid out in the grant is met. The AOE will provide two pre-approved methods for tracking local purchases that schools may use. If an SU/SD wishes to use an alternative tracking method, it is recommended that the method be pre-approved by the AOE so as not to risk being ineligible for the grant.

It is important to note that schools applying for the Baseline Year grant in SY 21-22 will need to have tracked their local purchases throughout SY 21-22 if they intend to apply for a subsequent grant in SY 22-23.

Method 1: Uniform Chart of Accounts (preferred)

SU/SDs may use the Uniform Chart of Accounts to track local purchases. The AOE foresees this to be the easiest option for schools. SU/SDs using this method should use the following codes:

Object Code 631: All foods that are not locally produced or milk.

Object Code 639: Qualifying locally produced foods.

Object Code 638: All milk purchases. This will make it easy to remove all milk purchases from the total food budget, ensuring that they do not negatively impact the locally produced foods percentage.

Function Code 3100: All program food expenditures should use this function code.

Function Codes 3121-3129: All non-program program foods should use this function code series. This will make it easy to remove all non-program food expenses from the total food budget, ensuring that they do not negatively impact the locally produced foods percentage. Details on the specific codes are as follows:

3121	Non-program food other
3122	Items purchased specifically for Adult Meals
3123	Catering
3124	A la cart sales

3125 Vending machines
3126-3129 Non-Program Food- local use

Method 2: Excel-based tracking

For SU/SDs unable to use Method 1 (i.e. SU/SDs with fixed-price FSMC contracts), tracking individual purchases using an excel spreadsheet may be necessary. The AOE will release a template spreadsheet which SU/SDs are encouraged to use in the coming weeks.

Regardless of the tracking method used, SU/SDs should keep all locally produced food receipts on file in the case of an audit. All receipts will not need to be scanned or uploaded online, but they should be easily retrievable (i.e. stored in a filing cabinet organized by date).

Tracking Purchases for Schools contracted with Food Service Management Companies

For schools in fixed-price contracts with FSMCs (the majority of FSMC contracts are fixed-price), it would be difficult for the SU/SD to track individual purchases. It is therefore likely that FSMC staff will be responsible for the majority of tracking and record keeping required for the SU/SD to be eligible for this grant.

The AOE will allow schools to amend their FSMC contracts to add provisions and increased payments to account for the additional work associated with this grant, as long as the increase in work and payment terms is not large enough to constitute a material change. All contract amendments will need to be approved by the AOE before going into effect.

When considering payments to FSMCs for additional tracking, SU/SDs should consider the maximum and minimum award amounts for the 2022 Baseline Year Grant. Additionally, in subsequent years, it is possible that the SU/SD will not receive any award because it did not achieve the 15% locally produced foods threshold, despite the efforts made to track local purchases.

Calculating the Locally Produced Foods Percentage for Subsequent Years

An SU/SD's locally produced foods percentage will be calculated by dividing the SU/SD's total local foods expenses by the total food budget. For the purposes of this grant, the total food budget includes all food expenses for federally reimbursable programs (NSLP, SBP, SFSP, etc.).

The total food budget **does not include** any non-program food expenses (a la carte, vending machines, items purchased specifically for adult meals, catering, etc.), nor fluid milk. It is recommended to use the above-mentioned object and function codes to easily separate these expenses from your total food budget.

Calculating the Grant Award Amount for Subsequent Years

There are three grant award tiers which are based off an SU/SD's locally produced foods percentage. The grant award tiers are as follows:

15% locally produced foods = \$0.15 per lunch grant award

20% locally produced foods = \$0.20 per lunch grant award

25% locally produced foods = \$0.25 per lunch grant award

The grant award amount is calculated based on the SU/SD's local purchasing tier and the number of lunches served; the total number of reimbursable lunches sold will be multiplied by the per meal reimbursement number.

For example, if an SU/SD sold 160,000 lunches in a school year and procured 18% of its food locally (putting the SU/SD in the 15 cents per lunch tier), the grant equation would be:

$$160,000 \text{ lunches} \times \$0.15/\text{lunch} = \$24,000 \text{ grant award}$$

If grant awards exceed the amount of funding available, grant awards will be prorated.

All grant awards will be distributed at the SU/SD level.

What Counts as Local?

During the Baseline Year of the grant, the SU/SD can use its own definition of local when estimating the previous school year's percent of locally produced foods.

During subsequent grant years, SU/SDs must use the local-to-Vermont definition prescribed by the legislature. This means that:

Raw Products must be exclusively grown or tapped in Vermont.

Processed foods such as dairy, meat, maple products, beverages, fruit, or vegetables that have been subject to processing, baked, or modified into a value-added food product.

Processed foods are "local" and/or "Vermont" food if:

1. The majority of ingredients (meaning more than 50 percent of all product ingredients by volume, excluding water) are raw agricultural products that are "local" to Vermont; **and**
2. The product was either processed in Vermont or the food manufacturer is headquartered in Vermont (or both are true).

Unique foods are a segment of processed foods made from ingredients that are not regularly produced in Vermont or not available in sufficient quantities to meet production requirements. Unique foods are "local" and/or "Vermont" when **two of the three criteria** are met:

1. The majority of ingredients (meaning more than 50 percent of all product ingredients by volume, excluding water) are raw agricultural products that are produced in Vermont.
2. Substantial transformation of the ingredients in the product occurred in Vermont.
3. The headquarters of the company that manufactures the product is in Vermont.

Foods that do not count, regardless of origin, are foods that were used for **non-program services (catering services, a la carte, adult meals)** and **fluid milk**. These items will not be

tracked as part of local purchases or part of the total food spending used to determine the percentage of local food spending.

USDA Foods should not be included in either the local foods total or in the total food spending.

More details on local definitions can be found in [this document](#), or you can reach out to the AOE Child Nutrition Programs team to confirm if a purchase counts as local.

Questions

Questions regarding the Local Foods Incentive Grant may be directed to Conor Floyd, Grant Programs Manager, at conor.floyd@vermont.gov.