



United States  
Department of  
Agriculture

Food and  
Nutrition  
Service

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Alexandria, VA  
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**DATE:** January 8, 2014

**SUBJECT:** Questions and Answers Related to the Pilot Project for Procurement of Unprocessed Fruits and Vegetables – Part II

**TO:** Regional Directors  
Special Nutrition Programs  
Northeast, Mid-Atlantic, Midwest, and Western Regional Offices

State Distributing Agency Directors  
National School Lunch Program (NSLP)  
California, Connecticut, Michigan, New York, Oregon, Virginia,  
Washington, and Wisconsin

Following the [announcement](#) of the selection of States for participation in the Pilot Project for Procurement of Unprocessed Fruits and Vegetables, interested States have raised several questions regarding the pilot project. This memorandum provides additional guidance and technical assistance to the memorandum, [“Questions and Answers Related to the Pilot Project for Procurement of Unprocessed Fruits and Vegetables”](#), which was issued on September 5, 2014. The memorandum will also be updated on an ongoing basis throughout the pilot project as questions arise.

For further information on the pilot project, visit the [Pilot Project for Procurement of Unprocessed Fruits and Vegetables](#) webpage. Participating NSLP States with additional questions regarding the pilot project should contact Carolyn Smalkowski at [Carolyn.Smalkowski@fns.usda.gov](mailto:Carolyn.Smalkowski@fns.usda.gov), or 703-305-2674, or Christina Conell at [Christina.Conell@fns.usda.gov](mailto:Christina.Conell@fns.usda.gov), or 415-705-1353.

Laura Castro  
Director  
Food Distribution Division

Attachments

## Questions and Answers Related to the Pilot Project for Procurement of Unprocessed Fruits and Vegetables – Part II

### I. Recruiting and Procuring Vendors

#### **Q1. How can my State recruit vendors to participate in the pilot project?**

The USDA Food and Nutrition Service (FNS) and Agricultural Marketing Service (AMS) will hold individual calls with selected States in early 2015 to discuss a vendor outreach plan for each State. States should focus their initial outreach on contacting participating School Food Authorities' (SFAs') current vendors and directing them to AMS's Pilot Project for Unprocessed Fruits and Vegetables [website](#), where they can find information for interested vendors, including the [Eligible Vendor Requirements](#) and [Application](#). AMS and FNS will provide additional guidance in the coming weeks to ensure States have the assistance they need to recruit vendors to participate in the pilot project. AMS will continue to approve vendors on an ongoing basis for the duration of the pilot project.

#### **Q2. If a vendor is placed on the [Eligible Vendor List](#) for the pilot project and my State or SFA does not have an existing contract with the vendor, can my State or SFA start buying unprocessed fruits and vegetables from that vendor?**

Once suppliers have applied for and been placed on the Eligible Vendor List, unprocessed products and a supplier must be competitively procured in order to purchase unprocessed fruits and vegetables. The Eligible Vendor List is not a substitute for procurement. States or SFAs will need to follow the same procurement procedures under the pilot project as they would for any other solicitation of products and services purchased using Federal funds for Child Nutrition Programs.

States or SFAs will need to use language in the solicitation which provides that in order for vendors to be considered responsible and responsive, the vendor must apply for and be placed on the Eligible Vendor List for the pilot project. [Directions](#) on how to apply for AMS approval as an eligible vendor and be placed on the Eligible Vendor List should also be included in the solicitation.

#### **Q3. If my State or SFA has an existing contractual relationship with an eligible vendor under the pilot project, does my State or SFA need to enter into a separate contract under the pilot project?**

States and SFAs will need to evaluate their existing contract for produce to determine if this is an exclusive contract (i.e., purchases will be made only from the contracted vendor) and if participation in the pilot project may result in a material change. In many cases, purchases under the pilot project may not result in a material change, meaning purchases can take place using existing contracts with vendors approved for the pilot project. States or SFAs can work with these vendors to create an addendum to current contracts which (1) outlines the States' or SFAs' participation in the pilot project and

changes to the existing contracts that include, at a minimum, the vendor payment method for products purchased under the pilot project, rather than as outlined in the existing solicitation and contract, and (2) requires that the vendor issue a separate invoice for unprocessed fruits and vegetables sold under the pilot project.

However, if an exclusive contract for specified produce exists, or States or SFAs make purchases that are very large in scope and/or quantity and participating in the pilot project results in a material change, a new solicitation must be published for items that will be purchased under the pilot project that are not covered in the existing contract.

## **II. Entitlement**

### **Q4. When does my State need to set aside USDA Foods entitlement funds for the pilot project?**

The deadline to set aside entitlement funds for School Year (SY) 2014-2015 is February 1, 2015. Entitlement fund set aside requests should be sent to Janet West at [Janet.West@fns.usda.gov](mailto:Janet.West@fns.usda.gov), with copies to Christina Conell and Carolyn Smalkowski, so that each State's entitlement fund balance can be updated accordingly.

For SY 2015-2016, similar to the entitlement fund set aside procedures for the Department of Defense Fresh Fruit and Vegetable Program (DoD Fresh), entitlement funds will need to be broken down between July 1 through September 30, and October 1 through June 30 to account for the crossover in Fiscal Years (FYs). States will be given sufficient notice in advance of the SY 2015-2016 deadline.

### **Q5. What if my State or SFA has overspent its entitlement funds for SY 2014-2015?**

If your State or SFA has used all of its entitlement funds for SY 2014-2015, your State or SFA can work with the appropriate Food Distribution ordering manager to make changes to USDA Foods orders and/or DoD Fresh allocations to make funds available for purchases under the pilot project during SY 2014-2015.

### **Q6. What happens if my State sets aside more entitlement funds than it spends for the pilot project? Will my State lose any unspent entitlement funds for SY 2014-2015?**

States will not lose any unspent USDA Foods entitlement funds. At the end of FY 2015, the requested allocation of entitlement funds will be reconciled with the actual funds spent. As with the DoD Fresh Program, any unspent portion of the allocation will be credited to the entitlement fund balance. Entitlement fund balances would follow normal procedures and be carried over into SY 2015-2016 at reconciliation. States and SFAs are encouraged to be realistic when deciding the amount of entitlement funds to set aside and

should make every effort to manage their entitlement funds accordingly, maximizing use of such funds within the SY to the greatest extent feasible.

**Q7. Will my State be able to make adjustments to the amount of entitlement funds set aside for the pilot project?**

Once entitlement funds are set aside in February 2015, States will not be able to make changes until reconciliation at the end of SY 2014-2015. As the pilot project progresses, FNS will revisit this option. States will be responsible for monitoring the balance of entitlement funds throughout the duration of the pilot project so that orders do not exceed the amount committed to the pilot project.

**Q8. Can my State use entitlement funds that were set aside for the pilot project in other Child Nutrition Programs outside of NSLP, like the Summer Food Service Program (SFSP) and the Child and Adult Care Food Program (CACFP)?**

For SY 2014-2015, States may not use entitlement funds that were set aside for the pilot project in other Child Nutrition Programs outside of NSLP. As the pilot project progresses, FNS will look into the feasibility of allowing the use of these allocated funds for other Child Nutrition Programs, including SFSP and CACFP.

**III. State Reporting Requirements and Pilot Project Administration**

**Q9. What are the reporting requirements for States participating in the pilot project?**

In accordance with the reporting requirements outlined in Section 4202 of the Agricultural Act of 2014 (P.L. 113-79, the Farm Bill), States selected to participate in the pilot project, and participating SFAs within those states, must keep records of the unprocessed fruits and vegetables received under the pilot project. At least monthly, each eligible and participating vendor will submit an invoice to AMS which summarizes the delivery and pricing information of the unprocessed fruits and vegetables procured under the pilot project, including state of origin information and recipient SFAs (see Appendix A). AMS will then pay those vendors upon submission of the report and forward the invoices to their respective States. States will be responsible for verifying vendor invoices at least monthly with participating SFAs. Any discrepancies should be submitted to FNS and AMS in order to make necessary payment and entitlement adjustments.

In addition, FNS will be conducting an evaluation of the pilot project. FNS will request pre- and post-implementation survey data from participating States and SFAs. Each participating State must submit to FNS a report on the success of the pilot project in the State, including information on (1) names of vendors and quantity and cost of each type of unprocessed fruit and vegetable received by the State under the pilot project; and (2) the benefit provided by these procurements in conducting school food service in the state,

including continuing to meet all school meal requirements as outlined in NSLP regulations. FNS may request that States submit additional data, as needed, to facilitate the pilot project. The deadlines for submitting this information will be forthcoming.

**Q10. Similar to the DoD Fresh Program, can my State charge an administrative fee to participating SFAs?**

Consistent with [Policy Memorandum FD-125](#), “Offering School Food Authorities the Required Value and Variety of USDA Foods, and Efficient and Cost-Effective Distribution”, the State must use the most efficient and cost-effective distribution system for providing USDA Foods to SFAs. All SFAs should receive their planned assistance level and maximize the use of USDA Foods to meet the nutrition standards in NSLP.

Ultimately, the decision to charge administrative fees is left at the discretion of the State. However, it is recommended that States first look to State Administrative Expense (SAE) funds and SAE reallocation requests and utilize those funds to the greatest extent feasible in order to facilitate the pilot project. See [Policy Memorandum FD-131](#), “Questions and Answers Regarding the Use of State Administrative Expense (SAE) Funds and SAE Reallocation Funds in the Food Distribution Program for Child Nutrition Programs”, for further details on the flexibilities available for the use of such funds.

**Q11. Can my State expand the number of SFAs participating in the pilot project?**

At this time, States may not expand the number of participating SFAs beyond those that were listed in the State’s application for participation in the pilot project. Per 2014 Farm Bill requirements, one of the factors that was taken into consideration when reviewing applications was the quantity and diversity of participating SFAs, as reflected in the State’s application. Therefore, compliance with the 2014 Farm Bill and the competitive selection process prohibits additional SFAs from participation at this time. If the pilot project continues in future years, FNS will evaluate the success of the pilot project and determine if the inclusion of additional SFAs can be allowable for those States that wish to expand the pilot project.

**Q12. How will my State communicate with FNS and AMS about the pilot project moving forward?**

During the initial months of the pilot project, FNS and AMS will host regular monthly calls with participating States and their respective Regional Offices to discuss logistical and vendor issues and allow for information sharing among States. Monthly calls will continue as needed and will transition into quarterly calls once the pilot project progresses. States can also contact Christina Conell at (415) 705-1353 or Carolyn Smalkowski at (703) 305-2674 at any time for questions related to the pilot project. For entitlement funds questions, States can contact Janet West at (703) 305-2671. For vendor-specific questions, States and vendors may contact Nate Sudbeck at (202) 720-3052.

**APPENDIX A**

<b>Vendor/SDA Reporting Template: Pilot Project for Procurement of Unprocessed Fruits and Vegetables</b>								
Name:								
Contact:								
Email Address:								
Phone Number:								
	<i>Vendor Name</i>	<i>Recipient SFA</i>	<i>City</i>	<i>Product Description</i>	<i>Product State of Origin</i>	<i>Quantity</i>	<i>Total Cost</i>	<i>Delivery Date</i>
1	Vendor Y	School X	City Y	Lettuce Green Boston 24 Ct	State Z	15	\$ 196.80	04/15/15
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