
MEMORANDUM

TO: School Business Managers and Food Service Directors
FROM: Rosie Krueger, State Director of Child Nutrition Programs
SUBJECT: Using Non-Profit School Food Service Account Funds for Kitchen Renovations
DATE: November 22, 2024

Summary

The purpose of this memo is to provide School Food Authorities (SFAs) with guidance on how they may use non-profit school food service account (NSFSA) funds to pay for kitchen and cafeteria renovations. Kitchen renovations are often an allowable expense when using the NSFSA, but SFAs **must always** receive prior approval from the Agency of Education (AOE). If your SFA is considering kitchen renovations, or has a larger renovation project that includes necessary kitchen work, you should reach out to Conor Floyd, conor.floyd@vermont.gov, for project-specific guidance. It is likely that at least some components of your renovation will be approved as allowable uses of the non-profit school food service account.

Non-Profit School Food Service Account Allowable Costs

The non-profit school food service account is restricted to uses that support the food service program. The AOE recommends that SFAs operating Universal School Meals (USM) establish a Special Revenue Fund to house the non-profit school food service account. Historically, many SFAs have used Enterprise Funds for their food service programs, which are typically used to account for activities that rely on income from user fees or sales. However, a Special Revenue Fund is an appropriate fund type for USM programs because the vast majority of the revenue generated is from federal and state reimbursements, not sales to students.

NSFSA funds are typically used for the purchase of food, food service supplies, the salaries of school nutrition staff, contracted services like food service management companies, compost hauling, and laundry, and other related necessities directly tied to the day-to-day operation of school nutrition programs.



Equipment is often an allowable expense of the NSFSA. New equipment on the [Approved Equipment List](#) does not need additional approval by the AOE. Any used equipment or equipment not on the approved equipment list requires prior approval from the AOE. The approved list is expansive and includes most equipment that would typically be purchased to support a food service program. If there are additional equipment purchases that would directly benefit the food service program, please complete the simple form at the end of the approved equipment list to request approval from AOE.

Installation costs for approved equipment are also allowable. For example, if new electric wiring, gas or plumbing lines, or unit-specific ventilation is required to install the new equipment, those costs may also be allowable. Consult with AOE Child Nutrition Programs team if you are unsure about what installation costs may be included with your equipment purchase.

Larger kitchen and cafeteria renovations may be an allowable expense and are handled on a case-by-case basis.

Structures associated with school gardens and farm to school activities, such as greenhouses or garden sheds, are typically not considered an allowable use of the non-profit school food service account. There may be some exceptions for movable structures such as hoophouses, when they are for the direct benefit of the food service program. Please see [SP 06-2015 – Farm to School and School Garden Expenses](#) for more on this topic.

Renovation Specific Considerations

[2 CFR 200.452, Maintenance and repair costs](#), identifies costs of normal repairs and alterations as allowable so long as they: (1) keep property in an efficient operating condition; (2) do not add to the permanent value of the property or appreciably prolong its intended life; and (3) are not otherwise included in rental or other agreements. Based on these principles, the USDA Food and Nutrition Service (FNS) has allowed limited renovations within the inside perimeter of a kitchen/cafeteria space **with the required prior State agency approval.**

Examples of potentially allowable renovations include:

- Improving kitchen layouts for preparation and service efficiencies.
- General kitchen modernization to update outdated equipment and infrastructure.
- Equipment upgrades that require major site work.
- HVAC improvements to filter indoor air pollution, smells and moisture resulting from cooking and dishwashing.
- Improving serving line layouts, including adding electrical outlets for mobile units or building permanent serving lines.
- Upgrading the cafeteria to make the dining experience more pleasant for students, including lighting, decorations, seating, ventilation, and acoustic treatments.
- Adding/improving delivery docks.
- Adding outdoor dining/seating options for students.
- Upgrading wiring to 220v or adding circuits to electrical panels to accommodate electric equipment with higher voltage needs.
- Removal of old gas lines no longer needed when switching from gas powered to electric powered equipment, if those lines were specifically dedicated to kitchen equipment that is being removed.
- Updating fire suppression systems dedicated to the kitchen.
- Replacing/updating kitchen floors to improve sanitation and safety.
- Remediation related to Child-nutrition specific equipment/infrastructure (i.e., removing an asbestos surround for a stove or replacing lead water pipes supplying an ice machine).
- Infrastructure modifications and equipment repairs needed to resolve a Health Inspection finding.

New Construction vs Renovations

Generally, a project is considered new construction when the footprint of the existing building is expanded. If your project is contained within the existing footprint of the school, it's likely to be considered a renovation. New construction requires USDA approval and is unlikely to be approved.

One exception to this is the addition of a walk-in refrigerator or freezer. These units are considered equipment, even though they may add to the building footprint. These units are on the pre-approved equipment list and do not need prior approval. Installation costs associated with these units, such as wiring, are also allowable. If there are more complex installation costs involved with siting the unit and connecting it to the building, please consult with AOE Child Nutrition Programs team to determine the allowability of these costs.

If your project is considered new construction, much of the equipment and furnishings to fit out the new space will likely still be an allowable cost.

Appropriate as an NSFSA Expense?

Another consideration is whether the expense is appropriate for the non-profit school food service account. For the renovation to be allowable, it needs to be specific to the child nutrition programs operated at the school.

For example, replacing the kitchen floors with an anti-bacterial and/or non-slip surface would be an appropriate expense. Whereas replacing the kitchen floors for purely cosmetic reasons would be unallowable.

Another example is cafeterias that are multi-purpose rooms. If improvements are made to a multi-purpose room which is also the school's cafeteria *and* the improvements benefit the non-profit school food service, a cost allocation may be made of the overall project budget to the non-profit school food service account. An improvement made to the space that was solely for the benefit of other programs (e.g., new lines for a basketball court) would not be an allowable cost to the NSFSA. Finally, when the use of the cafeteria by other programs is incidental, then allowable improvements to the cafeteria may be 100% allocable to the NSFSA.

Disposition of Existing Equipment

SFAs must follow federal guidance (2 CFR 200.313(e)) when replacing and/or retiring equipment purchased using federal funds. Equipment with a current fair market value of \$10,000 or less (per unit) may be retained, sold, or otherwise disposed of with no further responsibility to the Agency of Education. If the equipment has a fair market value of \$10,000 or more (per unit) and the SFA intends to sell, donate, or no longer use the equipment in the child nutrition programs, the SFA must reach out to the AOE Child Nutrition Programs team for disposition instructions.

Next Steps

If your SFA has a renovation project that may be an allowable NSFSA expense, please reach out to Conor Floyd, conor.floyd@vermont.gov, for further guidance and a copy of the Pre-Approval Form.