

Issue Date: July 16, 2024

Local Foods Incentive Grant Guidance

Purpose

This guidance document provides comprehensive details on the requirements of the Local Foods Incentive Grant.

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Overview and Eligibility

This Local Foods Incentive Grant was created by the Vermont Legislature in [Act 67](#) and signed by Governor Scott on June 8, 2021. [Section 4 of Act 64](#) expanded eligibility for the Local Foods Incentive. There is \$500,000 per year appropriated to the Local Foods Incentive.

Supervisory Unions (SUs), School Districts (SDs), and approved independent schools that qualify for the universal meals supplement are eligible to participate in the Local Foods Incentive. Independent schools that are not eligible for the universal meals supplement **are not** eligible for this grant.

Baseline Year Grant

The first year a School Food Authority (SFA) applies for the Local Foods Incentive 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.

SFAs may elect to apply for their Baseline Year grant of the Local Foods Incentive during any year. Whenever a SFA chooses to participate, they will begin in the Baseline Year. Once a Baseline Year grant is awarded, a SFA may not apply again for a Baseline Year grant.

Baseline Year Grant Requirements

In order to receive a Baseline Year grant, an applicant must:

- (A)** Develop a locally produced foods purchasing plan that describes the School Food Authority's (SFA) **goals for purchasing locally produced foods** and **plan to achieve those goals**. It will be important to include in the plan how the SFA intends to procure local foods to ensure all state and federal procurement regulations are being followed. If using [geographic 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 SFAs 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 SFAs with disbursed School Nutrition Program operations (i.e., purchasing done at the school building level rather than

the SFA level) as this is an SFA level grant. If food purchases are made at the school building level rather than at the SFA 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 SFA level and grant awards will be made to the SFA.

- (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 SFA's school lunch, breakfast, and summer meal programs during the previous school year. This will be completed by all SFAs when completing their annual Financial Report.

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 the previous school year under the National School Lunch Program regardless of the amount of locally produced foods purchased by the SFA. **If grant awards exceed the total appropriated funds, awards will be prorated.**

Subsequent Year Grants

After the Baseline Year, SFAs may apply annually for Subsequent Year grants. SFAs are 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.

If a SFA applies for a Subsequent Year grant one year, or chooses to skip a year, the SFA is still eligible to apply for a Subsequent Year grant in following years. After the SFA receives a Baseline Year grant, the SFA may choose to apply for a Subsequent Year grant in any following year.

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

Tracking Local Food Purchases

In Subsequent Years of the grant, SFAs are required to track local food purchases to assure that the 15% local purchasing threshold is met. Receipts and product documentation will be used to verify a SFA's locally produced foods percentage. The Vermont Agency of Education (AOE) has provided two pre-approved methods for tracking local purchases that schools may use. If a SFA wishes to use an alternative tracking method, it is recommended that the method be pre-approved by the AOE.

SFAs should keep all locally produced food receipts and distributor reports on file in

case of an audit. Receipts do not need to be scanned or uploaded online, but they should be easily retrievable (e.g., stored in a filing cabinet and organized by date). If a SFA uses distributor reports for tracking food purchases, the reports will need to be included in the grant application.

Method 1: Uniform Chart of Accounts (UCOA)

SFAs may use the Uniform Chart of Accounts to track local purchases. The AOE foresees this to be the easiest option for schools that already track purchases and code invoices using the UCOA. SFAs using this method should use the following Object and Function codes:

Object Codes

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.

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

Function Codes

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

SFAs may also choose to use an Excel-based tracking method. [A pre-approved template](#) is available on VT FEED's website. Detailed instructions on how to use the Excel tracker are included in the document itself.

There are three types of records that may be entered into the Excel tracker:

Individual Items

If purchasing a large quantity of a single item at one time (e.g., maple syrup for the school year), you may wish to enter that single item transaction into the tracker. You would then enter the requested information in each following column.

Invoice

If you make a purchase from a farm or distributor with multiple VT Local items included, you may enter the total value of all eligible VT Local products from the invoice into a single line in the tracker. When doing this, do your best to provide an overview of the products purchased in Column F “Product/Item Description”.

Example: apples, cucumbers, yogurt, and granola

Distributor Report

Some distributors can pull a report of all VT Local purchases made during a school year. If using a VT Local report, a single entry for the sum total of all VT Local purchases made during the school year may be entered into the Excel tracker.

When entering data from a distributor report, please choose the “Report” option in column A of the tracker¹. For the Invoice Number and Date columns (B and C), enter “report”. Choose the corresponding distributor for column D and enter the total dollar value amount in column G. You may leave column F blank.

SFAs must submit distributor reports, in addition to the Excel tracker, with a Subsequent Year application for the Local Foods Incentive Grant.

Important consideration: It is the responsibility of the SFA to review the distributor report for accuracy. If products are included in the grant application that the SFA does not have VT Local documentation for the SFA risks their application being rejected.

Non-Program Food Purchases

Non-program food purchases (e.g., a la carte, catering) must be excluded from all aspects of tracking for this grant. For SFAs tracking using Method 1: UCOA, non-program foods must be excluded using the function codes listed above.

For SFAs tracking using Method 2: Excel Tracker and reporting some purchases using distributor reports, a methodology must exist for excluding non-program foods. This could be a separate purchasing account for non-program foods or working with the distributor to exclude non-program food purchases from the report.

During an audit, if it’s unclear if non-program foods were excluded, the AOE may

¹ As of the publication of this document, “Report” was not an option for column A in the tracker. For SFAs using this version of the tracker, select the “Invoice” option and enter in “report” under columns B and C.

request documentation on how the SFA excluded non-program foods.

Tracking Purchases for SFAs contracted with Food Service Management Companies (FSMC)

For SFAs in fixed-price contracts with FSMCs, it would be difficult for the SFA 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 SFA to be eligible for this grant.

SFAs that wish to participate in the Local Foods Incentive and also contract with a FSMC will need to include language in their Request for Proposal and eventual contract requiring that the FSMC purchase a set amount of their food locally and include tracking and reporting requirements in the contract terms. The additional cost to purchase a higher percentage of food locally will be built into the FSMC's per meal price charged to the SFA. All grant awards will stay with the SFA and not be passed onto the FSMC.

The SFA may also want to include some kind of enforcement mechanism in the contract terms to provide the SFA with recourse if the FSMC does not meet the mandated local purchasing percentage.

*Example Contract Terms: **Failure to Meet XX% Local Purchasing*** If the FSMC fails to meet XX% local purchasing (as determined by qualification of a Subsequent Year Local Foods Incentive grant award), the FSMC will provide a credit to the SFA equal to the anticipated grant award as calculated in the Agency of Education's Financial Report.

Calculating the Subsequent Year Grant Award

There are three grant award tiers which are based for Subsequent Year grants:

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 SFA's local purchasing tier and the number of National School Lunch Program lunches served. The total number of reimbursable NSLP lunches sold is multiplied by the per lunch grant award amount.

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

160,000 lunches X \$0.15/lunch = \$24,000 grant award

Reminders: If grant awards exceed the amount of funding available, grant awards will be prorated. All grant awards will be distributed at the SFA level.

What Counts as Local?

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

During subsequent grant years, SFAs **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](#).

Product Documentation for VT Local Foods

For all foods that a SFA reports as VT Local in their Subsequent Year grant application, product documentation requirements must be met. There are several ways to demonstrate that a product is VT Local; only one is required.

For **Raw Agricultural Products**, an indication of origin on an invoice is enough to meet documentation requirements (e.g., Apples-Macintosh-VT).

For **Processed Foods** and **Unique Food Products**, the SU/SD must have one of the following forms of documentation (either of these may also be used to document Raw Agricultural Products):

1. Our partners at VT FEED maintain a [working list of products that qualify as VT Local](#) offered by major distributors. If a product is on that list, SFAs can note that in their records and no further documentation will be required. During an audit, the SFA will indicate which of the products being reviewed are included in the VT FEED product list.
2. If the product is NOT on VT FEED's list, a **producer attestation** must be obtained to document that a product is a VT Local Food. The producer attestation must have the following components:
 - a. Be on company letterhead
 - b. Clearly state the specific product(s)
 - c. Clearly state under which product category the product(s) qualify as VT Local (Raw Agricultural Product, Processed Foods, Unique Food Product)
 - d. For Processed Foods and Unique Food Products, clearly state under which criteria the product(s) meet the VT Local definition
 - e. Specify the School Year during which the attestation is valid

The AOE does not have a required template for producer attestations. Any document that contains the components listed above will be accepted. Letters of attestation templates are available on the [VT FEED website](#).

The AOE recommends that SFAs keep documentation on file for products that will be reported as VT Local Foods. This will ensure that in the case of an audit, the SFA is able to provide the required documentation within the audit timeframe.

VT Local Definition and SU/SD Responsibilities

Ultimately, it is the responsibility of the producer to know whether their product qualifies as VT Local. If the SFA is provided with a producer attestation that meets the requirements laid out above, the SFA has met their obligation. SFAs are not expected to contest producer attestations nor be responsible for determining whether a product qualifies as VT Local.

It is the responsibility of the SFA to have a working knowledge of the VT Local definition. Primarily, an understanding of the definition is required so that an SFA can identify foods that are not Raw Agricultural Products and therefore would need to meet documentation requirements through [VT FEED's VT Local Foods List](#) or through the SFA obtaining a producer attestation.

Audit Expectations for Subsequent Year Grants

SFAs applying for a Subsequent Year grant may be selected for audit. The purpose of the audit will be to ensure that the purchasing numbers reported by the SFA are accurate and that VT Local foods have proper documentation.

Audit Selection Criteria

The following criteria will be considered when selecting applications to audit:

- 1) Any SFA that has been designated high risk by the Agency's risk assessment.
- 2) Previous audit record: SFAs that had findings in previous audits.
- 3) Time since last audit: SFAs that have not recently been audited.

Audit Timeline

Audits will take place between the application deadline and the disbursement of funds. SFAs will have 15 days to provide receipts and documentation when requested. The entire audit process could take up to 45 days.

Audit Process

Following is a rough outline of how an audit will be conducted by the AOE:

1. Select the SFAs to be reviewed this year.
2. Review Expenditure Report for the Food Service Fund/Excel Tracker to ensure monthly numbers add up to the total food budget. Distributor reports will also be reviewed at this point.
3. Pick a month at random and request five invoices that include local purchases from that month. Send Audit Notification email with invoice and product documentation requests to the Food Coordinator.
4. On each of the five invoices, confirm that the purchase totals are accurate and that the items have proper product documentation to verify that they are VT local products.
5. **Escalation:** If there are any findings in the initial pool of invoices, an additional five invoices and accompanying product documentation will be requested.

6. Send follow up communications and Corrective Action Plan (CAP) requirements as needed.

Audit Findings

During an audit, there are two general finding categories:

- 1) Missing receipts/documentation
- 2) Mistakes and/or falsehoods in reporting purchasing totals

SFAs will not be penalized if a product is later found to not qualify as VT Local as long as the SFA obtained a producer attestation.

Corrective Action and Grant Disqualification

All SFAs with any number of findings will be required to develop a Corrective Action Plan (CAP) that addresses the problems raised in the audit.

For SFAs with three or fewer findings based on the ten invoices reviewed, the SFA will be required to develop a CAP to address the findings in the current grant reporting process. The SFA will not be disqualified from receiving grant funds but will be flagged as a priority for audits in future years.

For SFAs with four or more findings based on the ten invoices reviewed, the SFA will be ineligible for a grant award. In order to participate in the grant program in future years, the SFA will be required to develop and implement a CAP.

Additionally, SFAs deemed (by the AOE Child Nutrition Programs team) to be intentionally reporting false data will be ineligible for a grant award regardless of the number of findings. The SFA will be required to develop and implement a CAP.

Finally, if an item that made up a large portion of the SFA's local purchasing lacks documentation, the SFA may be ineligible for a grant award.

Questions

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