DEPARTMENT OF FINANCE
OFFICE OF THE DIRECTOR

ARNOLD SCHWARZENEGGER, GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

April 8, 2009

Honorable Denise Moreno Ducheny, Chair
Joint Legislative Budget Committee
Senate Budget and Fiscal Review Committee

Honorable Noreen Evans, Chair
Assembly Budget Committee

Honorable Christine Kehoe, Chair
Senate Appropriations Committee

Honorable Kevin de Leon, Chair
Assembly Appropriations Committee

Section 28.00—Federal Stimulus Equipment Assistance Grants for the National School Lunch Program

Pursuant to the provisions of Section 28.00, Budget Act of 2008, the following report is respectfully submitted.

The Department of Finance (Finance) has received the attached Section 28.00 application from the State Department of Education (SDE) for the purpose of adjusting expenditure authority for federal equipment assistance grants for the National School Lunch Program (NSLP) due to the unanticipated receipt of federal economic stimulus funds for this purpose.

Approximately $12.9 million in federal equipment assistance funds is available pursuant to the *American Recovery and Reinvestment Act of 2009 (ARRA),* Public Law 111 (H.R. 1), for the purpose of improving infrastructure in the NSLP. Therefore, SDE requests that Item 6110-201-0890 of the Budget Act of 2008 be increased from $1.757 billion to $1.770 billion.

The ARRA requires these equipment assistance funds to be distributed to local school food authorities participating in the NSLP via a competitive grant process, with priority given to equipment for schools in which at least 50 percent of the students are eligible for free or reduced-priced meals. The funds may be used for new equipment, renovation of equipment, or replacement of equipment, in which equipment is defined as articles of nonexpendable, tangible personal property with a useful life of more than one year and a per unit acquisition cost of $5,000.

We note that SDE received official notification of the availability of additional, unanticipated funds on April 1, 2009, and notified Finance within 45 days of this date.

This request meets the following criteria, as required in subdivision (b) of Section 28.00:

- The funds will be expended for a purpose that is consistent with state law.

- The funds are made available to the state under conditions permitting their use only for the specified purpose, and the additional expenditure proposed would apply to this specified funding purpose.
- Acceptance of the additional funding does not impose on the state any requirement to commit or expend new state funds for any program or purpose.
- The need exists to expend the additional funding during the current fiscal year because the ARRA overall goals are to stimulate the economy quickly.

Finally, we have included internet links to the assurances, guidelines, and reporting requirements include in the ARRA to ensure that local educational agencies and other interested entities are aware of the various conditions that must be adhered to as a condition of receiving federal equipment assistance funds. Please see: http://www.recovery.ca.gov/; http://www.fns.usda.gov/fns/recovery/recovery-nslp.htm; http://www.recovery.gov/; and http://www.cde.ca.gov/fg/aa/ar/.

We concur with the necessity of this change to the approved budget and will be approving the Section 28.00 application not sooner than 30 days from the above date.

If you have any questions or need additional information regarding this matter, please call Nicolas Schweizer, Assistant Program Budget Manager, at (916) 445-0328.

MICHAEL C. GENEST
Director
By:

ANA J. MATOSANTOS
Chief Deputy Director

Attachment

cc: On following page

cc: Honorable Bob Dutton, Vice Chair, Senate Budget and Fiscal Review Committee
Honorable Roger Niello, Vice Chair, Assembly Budget Committee
Honorable Gloria Romero, Chair, Senate Budget and Fiscal Review Subcommittee No. 1
Honorable Wilmer Amina Carter, Chair, Assembly Budget Subcommittee No. 2
Mr. Mac Taylor, Legislative Analyst (3)
Mr. Danny Alvarez, Staff Director, Senate Budget and Fiscal Review Committee
Mr. Bob Franzoia, Staff Director, Senate Appropriations Committee
Mr. Seren Taylor, Staff Director, Senate Republican Fiscal Office
Mr. Craig Cornett, Senate President pro Tempore's Office
Mr. Christian Griffith, Chief Consultant, Assembly Budget Committee
Mr. Geoff Long, Chief Consultant, Assembly Appropriations Committee
Mr. Peter Schaafsma, Staff Director, Assembly Republican Fiscal Committee
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Honorable Jack O'Connell, Superintendent of Public Instruction
Dr. Glen Thomas, Secretary of Education
Ms. Sharon Taylor, Director, Fiscal and Administrative Services Division, State Department of Education

icc: BRADSHAW, PROSIO, CAP-OFFICE, FO, OROPEZA, SCHWEIZER, DEL CASTILLO, MCCABE, C/F (3), SUSPENSE FILE

I:\BUDGET ADMIN (YEAR-ROUND)\2008-09\SEC LETTERS\SEC. 28.00\6110 CHILD NUTRITION EQUIPMENT FEDERAL STIMULUS.DOC

STATE OF CALIFORNIA
SECTION 28.00 APPLICATION
DF-90

NO ACTION CAN BE TAKEN

Department of Finance
915 - L Street
Sacramento, CA 95814
IMS Mail Code: A-15

Please report dollars in thousands.

DEPARTMENT	ITEM NO./ FISCAL YEAR	NOTIFICATION LETTER TO LEGISLATURE:
Department of Education	6110-201-0890 FY 08-09	☒ 30-DAY NOTICE ☐ REQUEST WAIVER OF 30-DAY NOTICE

PROGRAM TITLE PER GOVERNOR'S BUDGET:
Child Nutrition Programs

FUNDING (SPECIFY FUND)	CURRENTLY BUDGETED	REQUESTED CHANGE (+) OR (-)	TOTAL
Federal Trust Fund			
Item 6110-201-0890	$1,756,657	$12,865	$1,769,522

(Check appropriate boxes)

- ☒ The funds will be expended for a purpose that is consistent with state law (explain use of funds in Part A below).
- ☒ The funds are made available to the state under conditions permitting their use only for a specified purpose, and the additional expenditure proposed under this section would apply to that specified funding purpose (as supported by explanation for the purpose of the funds).
- ☒ Acceptance of additional funding does not impose on the state any requirement to commit or expend new state funds for any program or purpose.
- ☒ The need exists to expend the additional funding during the current fiscal year (explain in Part B below).
- ☒ This application is provided to Finance within 45-days of official notice of receipt of funds.
- ☐ Explanation of delayed notification to Finance is attached (required if 45-day notification period is exceeded).
- ☒ A copy of the official notice of fund availability is attached to this application.
- ☒ One-time expenditure.
- ☐ Ongoing commitment from this source (if checked, explain under Program Proposal).
- ☐ Matching funds required (if checked, explain under Program Proposal).
- ☐ Expenditure either supplements or supplants an existing state-funded program (if checked, explain under Program Proposal).

PART A: For what purpose will the funds be expended?
The California Department of Education (CDE) requests authority to spend $12,864,683 in grant funds made available as part of the American Recovery and Reinvestment Act (ARRA) from the U.S. Department of Agriculture (USDA) during Fiscal Year 2008-09 in order to provide equipment assistance to School Food Authorities (SFAs) that participate in the National School Lunch Program (NSLP) via a fair and equitable competitive grant process. Equipment assistance grant requests may include new equipment, renovation of equipment, or replacement of equipment.

PART B: Explain the need to expend the funds in the current fiscal year, including the consequence of waiting until budget year to expend the funds:
While the primary effect of the Equipment Assistance Grants will be to improve the infrastructure in the National School Lunch Program (NSLP), the grants are also provided in an effort to stimulate activity within the American economy. In order to impact the economy in a timely manner, the USDA has urged the CDE to complete the entire award process, including solicitation and designation of grant awards by June 8, 2009. In addition, USDA urged SFAs to complete their procurement and expenditure activities within three (3) months of grant awards.

Given California's current year and budget year cutbacks, it would be in the CDE's best interest to comply with USDA's wishes to obligate and disburse these funds in the current fiscal year. California may be more closely monitored to ensure the American Recovery and Reinvestment Act (ARRA) funds will be used appropriately and quickly for the true nature of the stimulus and not to offset any budgetary cuts. Waiting until the budget year to expend these funds could give USDA the impression that the CDE is not willing to cooperate in participating within the goals and intent of the ARRA and possibly discourage the disbursement of future funds.

PROGRAM PROPOSAL (Attach additional information as necessary)

TITLE:	STATUTORY AUTHORITY: (state, federal, as appropriate)
EQUIPMENT ASSISTANCE GRANTS	Federal

DESCRIPTION:

The American Recovery and Reinvestment Act of 2009 (ARRA), was signed into law by President Obama on February 17, 2009. The ARRA provides a one-time appropriation of $100,000,000 (California receiving $12,864,683) for equipment assistance to SFAs participating in the NSLP. Funds will be allocated based on each State's school meal administrative expense allocation for Fiscal Year 2009. Local SFAs may then competitively apply for NSLP equipment assistance grants. Priority of these grants will be given to SFAs for equipment for schools in which at least 50 percent of the students are eligible for free or reduced-priced meals.

Although the main purpose of the NSLP equipment assistance grants is to improve the infrastructure of the NSLP, the grants were also provided as part of an overall effort to stimulate activity within the American economy. To do so, the CDE is strongly encouranged to complete the entire award process, including solicitation and designation of grant awards to the SFAs by June 8, 2009. Equipment for the purpose of NSLP is defined as tangible property with a useful life of more than one year and as a per unit acquisition cost of $5,000 (or such lesser amount as the SFA uses when reporting equipment as assets in its financial statements). may include new equipment, renovation of equipment, or replacement of equipment.

The CDE is responsible for creating specific criteria used in the competitive NSLP equipment assistance grant process that best represents the needs of the State. Not only does the CDE need to prioritize applicants based on their free or reduced price meal count eligibility, but also must consider the SFA's ability to fully expend its grant funds within three (3) months of the award. The CDE should also consider one or more of the following focus areas when considering grant applications:

- Equipment that lends itself to improving the quality of school foodservice meals that meet the dietary guidelines. (e.g., purchasing an equipment alternative to a deep fryer),
- Equipment that improves the safety of food served in the school meal programs. (e.g., cold/hot holding equipment, dish washing equipment, refrigeration, milk coolers, freezers, blast chillers, etc),
- Equipment that improves the overall energy efficiency of the school foodservice operations (e.g., purchase of an energy-efficient walk in freezer replacing an outdated, energy-demanding freezer),
- Equipment that allows SFAs to support expanded participation in a school meal program. (e.g., equipment for serving meals in a non-traditional setting or to better utilize cafeteria space).

JUSTIFICATION:

The primary function of the NSLP equipment assistance grants authorized by the ARRA will be to improve the infrastructure of the NSLP. In addition, the authority for the grants was provided in the context of the overall effort to stimulate activity within the American economy. To provide timely impact on the economy, the USDA strongly encourages the CDE to complete its award process of the NSLP equipment assistance grants to qualifying SFAs no later than June 8, 2009.

The ARRA, specifically the National School Lunch Program equipment assistance grants, will provide California school food authorities the opportunity to capitalize on Federal Stimulus funds by improving critical repairs or upgrades that may have been otherwise overlooked due to the lack of funding and priority. Furthermore, these funds will allow SFAs the opportunity to free up future funds to provide mission critical components of the program. If replacement or repair is not made, not only will money be used from an already low funded program on replacement or repairs, but SFAs risk the loss of commodities due to the malfunction of this equipment, thus placing an even larger burden on their budget.

SUBMITTED BY:		APPROVED BY DEPARTMENT OF FINANCE:	
BUDGET OFFICER: Roxanne L Eres	DATE: 3/30/09	DATE SUBMITTED TO LEGISLATURE: APR 28 2009	
DIRECTOR: Sharon Tay	DATE: 3/30/09	PPBA:	DATE:

STATE OF CALIFORNIA
BUDGET REVISION
STD. 26(REV.10/87)

DEPARTMENT	FUND	DOCUMENT NUMBER
CALIFORNIA DEPARTMENT OF EDUCATION	Federal Trust Fund	6110-201-0890-002
		FISCAL YEAR 2008-2009

SOURCE OF FUNDS	AMOUNTS AVAILABLE	INCREASE (+) OR DECREASE (-) REVISION REQUESTED	REVISION APPROVED (DOF USE ONLY)
APPROPRIATION:(LIST ADJUSTMENTS IN DETAIL)			
Budget Act of 2008, Chapter 268/269 Item 6110-201-0890	1,756,657,000	12,864,683	
	$1,756,657,000		
UNSCHEDULED APPROPRIATIONS		0	
LIST OF PROGRAMS, CATEGORIES OR PROJECTS IN SCHEDULED APPROPRIATION			
Federal Trust Funds Item 6110-201-0890 30.20.010 - Child Nutrition Programs 30.20.040 - Summer Food Service Prog.	1,724,207,000 32,450,000	12,864,683	
Net Appropriation	$1,756,657,000	$12,864,683	

PURPOSE OF REVISION: LIST IN DETAIL, INCLUDING WORKLOAD, FISCAL HISTORY ON CAPITAL OUTLAY, AND CROSS-REFERENCE SUPPORTING DOCUMENTS.

The California Department of Education (CDE) requests authority to spend $12,864,863 in grant funds from the U.S. Department of Agriculture (USDA) during Fiscal Year 2008-09 in order to provide equipment assistance to School Food Authorities (SFAs) whom are participants in the National School Lunch Program (NSLP) via a fair and equitable competitive grant process. Equipment assistance grant requests may include new equipment, renovation of equipment, or replacement of equipment.

REQUESTED BY		RECOMMENDED BY (DEPARTMENT)		APPROVED BY (DEPT. OF FINANCE)	
NAME		NAME		NAME	
TITLE: MANAGER CDE BUDGET OFFICE	DATE:	TITLE: DIRECTOR, FISCAL & ADMIN. SERVICES DIV.	DATE:	NAME: TITLE:	DATE:

BUDGET ALLOTMENT REVISIONS

STD. 26(REV.10/87) REVERSE

BUDGET ALLOTMENT TITLE	AMOUNTS AVAILABLE	INCREASE (+) OR DECREASE (-)	
		REQUESTED	APPROVED(DOF USE ONLY)
Program: Title: Child Nutrition Programs			
AS FS F M INDEX PCA 318 F 0890 1 190 TBA	1,724,207,000	12,864,683	
UNALLOTED BALANCES: ( ) PERSONAL SERVICES ( ) OPERATING EXPENSES & EQUIPMENT			
TOTALS	1,724,207,000	12,864,683	

PURPOSE OF REVISION (cont'd)