



PUBLIC SCHOOLS OF NORTH CAROLINA

DEPARTMENT OF PUBLIC INSTRUCTION | Mark Johnson, *Superintendent of Public Instruction*

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CORONAVIRUS RELIEF FUND - SCHOOL NUTRITION - PRC 125

GUIDANCE FOR ALLOWABLE USE OF FUNDS

SESSION LAW 2020-4

HOUSE BILL 1043

Section 3.3 (6) of S.L. 2020-4 (HB 1043) appropriated \$75M in federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding to the NC Department of Public Instruction (DPI) for nutrition services provided in response to COVID-19 for allotment to public school units (PSU) participating in the National School Lunch Program or School Breakfast Program from March 16, 2020, through the end of the 2019-2020 school year. CARES Act funds were allotted to PSUs in the manner prescribed in session law. The DPI has established PRC 125 to record allowable expenditures.

Guidance provided by the Office of State Budget and Management (OSBM) Pandemic Recovery Office (PRO), which is consistent with guidance issued by the US Treasury Department, indicates these funds may be used for **typical** and **atypical** expenditures incurred during the period of March 16, 2020, through June 30, 2020, as long as they conform with the following:

- are **necessary expenditures** incurred due to the public health emergency related to the Coronavirus Disease 2019 (COVID-19);
- were not accounted for in the most recently approved budget as of March 27, 2020, for the State or government; and
- were incurred during the period of March 16, 2020 and December 30, 2020*.

(*NOTE: While SL 2020-4 indicates these funds (PRC125) are available through June 30, 2020, the DPI and SBE are seeking a technical correction to allow their use through December 31, 2020.)

A necessary expenditure is defined as:

- Medical Expenses (Testing; temporary hospital facilities; emergency medical transportation; telemedicine)
- Public Health Expenses (PPE; sanitizing products; disinfecting public areas and facilities; quarantining individuals; contact tracing)
- Payroll Expenses
 - a. Employees must be substantially dedicated to mitigating or responding to COVID-19;
 - b. Public Safety and Public Health employees are presumed to be substantially dedicated; or
 - c. Hazard pay and overtime for substantially dedicated employees (this may be a one-time bonus, a percentage of base pay; or compensatory leave).

SCHOOL NUTRITION AND DISTRICT OPERATIONS DIVISIONS

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The following steps should be taken to determine compliance with use of CARES Act funds:

Step 1: Determine Typical Costs

The PSU must determine the total amount of allowable **typical** school nutrition expenditures incurred as a result of providing meals during the public health emergency along with the total amount of federal school nutrition reimbursement received and deposited into the non-profit school nutrition account as of June 30, 2020.

Please note the total federal school nutrition reimbursement would be for claims submitted through either the Seamless Summer Option (SSO) or the Summer Food Service Program (SFSP) for the months of March, April and May 2020.

Allowable expenditures would include the following:

- Salaries/benefits for personnel who have actually worked in the emergency nutrition operations
(NOTE: staff who have been on emergency leave should not be included in the total.)
- Food
- Food Processing Supplies
- Supplies and Materials
- Travel Reimbursement
- Contracted Services
- Equipment
- Other operating cost (as defined in the Chart of Accounts for PRC 035)

The PSU should then compare the total federal school nutrition reimbursement deposited into the non-profit school nutrition account against the allowable expenditures and any excess expenditures may be applied toward PRC 125. **Please be mindful that any amount reclassified to PRC 125 (CARES Act funds) should not result in a situation where the non-profit school nutrition account generates a profit.**

Step 2: Determine Atypical Costs

The PSU should determine the **atypical** expenditures that other programs have incurred as a result of assisting in the preparation and/or delivery of meals during the public health emergency. Allowable expenditures may include the following:

- Transportation costs associated with the use of yellow school buses
 - Salary/fringe benefits
 - Fuel, oil, etc.
- Other School Staff (teacher assistants, office staff, custodians) directly involved in the preparation and deliver of meals
 - Salary/fringe benefits

The **atypical** cost may be covered through CARES Act Funds and charged directly to PRC 125 since federal school nutrition reimbursement is not provided for these expenditures.

The amount of typical and atypical cost coded to PRC 125 may not exceed the amount that has been allotted to the PSU.

QUESTIONS AND ANSWERS
CORONAVIRUS RELIEF FUND – SCHOOL NUTRITION - PRC 125
(as of June 22, 2020)

1. What is the source of funding for PRC125?

The \$75M allotted for school nutrition are federal funds provided through the Coronavirus Aid, Relief and Economic Security (CARES) Act.

2. How were funds allocated?

Consistent with S.L. 2020.4 Section 3.3.(6), these funds were allocated to Public School Units (PSU) that participate in the National School Lunch/School Breakfast Programs on the proportion of State total of federal reimbursements and student meal receipts during the month of February 2020.

3. When do the funds expire?

Currently, the funds expire June 30, 2020. A request to extend the period of use has been included in House Bill 1035; the bill has passed the House and passed first reading in the Senate on June 17, 2020. Updated information related to the request may be tracked by visiting the following website: <https://www.ncleg.gov/BillLookUp/2019/H1035>

4. How does the PSU determine the amount of CARES Act funds that may be used for expenditures since school nutrition receives federal reimbursement for the meals served?

The PSU should calculate the amount of federal school nutrition reimbursement received for meals served during the pandemic. The amount of reimbursement is available in the School Nutrition Technology System.

The PSU should calculate the total amount of expenditures for the same time period. This includes salaries/benefits (of employees who actually worked), food, food processing supplies, equipment, contracts, and other expenditures.

The PSU should determine if there is a shortfall or excess of federal reimbursement after expenditures have been paid.

Any expenditures that cause a shortfall in reimbursement may be coded to PRC 125. (See example for PSU #1 below.)

If there is an excess of federal school nutrition reimbursement, then no expenditures may be coded to PRC 125. (See example for PSU #2 below.)

Examples:

PSU # 1 – received \$394K in federal school nutrition reimbursement and had \$936K in expenditures, they would be eligible to use \$542K of PRC 125 but the PSU only has \$486,049 allotted, so they would be capped at the allotted amount.

PSU # 2 – received \$3.7M in federal school nutrition reimbursement and had \$3.2M in expenditures; the PSU would not be eligible for CARES Act funds, thus nothing may be applied to PRC 125. If the total expenditures were reduced by moving eligible expenditures to PRC 154, the PSU may consider moving those back to PRC 035 to maximize both federal and state funding sources available during the pandemic.

5. What if expenditures were paid from PRC 125 (CARES funds) and now the calculation indicates excess federal reimbursement, does the PSU need to transfer those back to PRC 035 (school nutrition)?

The determination for re-classifying expenditures to PRC 125 (CARES Act funds) is based on whether there was enough federal school nutrition reimbursement to cover those costs at the time they occurred. If the transfer/payment of expenses resulted in an excess of federal school nutrition reimbursement, then the amount of excess reimbursement must be shown as an expense to Fund 5 PRC 035.

Example:

PSU # 3 - used \$80K in PRC 125 to pay all salaries and benefits of school nutrition personnel that worked providing meals during the public health emergency. The total amount of federal school nutrition reimbursement generated for meals was \$125K. The total of the remaining expenditures (food, food processing supplies, supplies and materials, contracted service, etc.) was \$95K, which appears to indicate there is \$30K in excess funding.

To comply, the PSU would need to move \$30K back to Fund 5 PRC 035 **to prevent CARES Act funds from being used to replace revenue**. This would result in the same \$175K expenditures, \$125K in federal school nutrition reimbursement and \$50K in CARES Act funds, thus creating a break-even point.

6. What are unallowable uses of CARES Act funds?

- Revenue replacement;
- Payroll expense for employees not dedicated to COVID-19;
- Payroll expense for furloughed employees or employees that can't work remotely;
- Severance or bonus pay; and
- Double dipping.

7. Since transporting meals by yellow school bus is an atypical expense, can the buses be used to transport meals to students after the end of the school year?

- G.S. 115C-242 (6) states School buses owned by a local board of education may be used for emergency management purposes in any state of disaster or local state of emergency declared under Chapter 166A of the General Statutes.
- As long as North Carolina remains under a state of emergency, yellow school buses may be used for emergency purposes including transportation of meals to students.

8. May funds be used to support the cost of using yellow school buses to deliver meals, including salary/benefits of driver, gas, fuel, etc.?

Yes, funds from PRC 125 and PRC 154 may be used for transporting meals during the pandemic since these are atypical expenses.

9. Has the Chart of Accounts (COA) been updated to reflect allowable expense codes for these funds?

Yes, the Chart of Account located at <https://www.dpi.nc.gov/districts-schools/district-operations/financial-and-business-services/school-district-finance-operations/chart-accounts> has been updated.

- 10. How does the PSU reclassify expenditures previously reported in Fund 5 PRC 035 (school nutrition) to Fund 1 PRC 125?** The following steps were provided by the School Business Division in the June 19, 2020 School Business newsletter.

To reclassify expenditures from Fund 5/PRC 035 to Fund 1/PRC 125:

- J/E to credit SN expense and debit expense code in Fund 2 (offset by cash codes).
- If a separate bank account is used for SN, transfer funds from the regular account to SN.
- Then key a BUD to record expense in BUD and credit fund 2.

- 11. What account code will be used to record the additional pay (stipend, hazard pay, etc.) that has been provided to staff?**

The expense would be recorded in 187 – Salary Differential. These payments may be recorded as a one-time bonus, flat rate or a percentage of base pay.

- 12. Can the cost of equipment needed (or replaced due to damage) be included in the total typical school nutrition expenditure total regardless if they were purchased, rented, leased?**
Yes. The cost must be clearly documented as necessary because of the pandemic.

- 13. Should the period of use be extended through December 30, 2020 (House Bill 1035), may these funds be used for school nutrition expenses required by NC DHHS to implement social distancing, including purchasing carts, kiosk, insulated coolers, warming cabinets and other items?**

Yes. The cost must be clearly documented as necessary because of the pandemic. The use of PRC 125 will be dependent on whether there is excess federal school nutrition reimbursement to cover these items.

- 14. Are these funds subject to audit and program reviews?**

Yes. The Administrative Review conducted by the School Nutrition Division will examine all documentation to determine whether funds were used in a manner consistent with federal and state guidance. Additionally, a desk audit of CARES Act funds will be conducted by the School Nutrition Division in SY 2020- 2021. Funds are also subject to audit by the Office of the State Auditor (OSA) and the Office of the Inspector General (OIG).