USDA

United States
Department of Agriculture

Food and
Nutrition
Service

3101 Park
Center Drive

Alexandria, VA
22302-1500

AUG - 2 2002

SUBJECT: FMNP Policy Memorandum: #2002-2
Allowable Sources for State Matching Funds

TO: Regional Directors
Supplemental Food Programs
All Regions

This policy memorandum is intended to provide guidance concerning allowable sources for the WIC Farmers' Market Nutrition Program (FMNP) State matching funds.

Questions continue to be raised regarding the allowability of counting certain types and sources of moneys toward the FMNP matching funds requirement. This memorandum is intended to clarify the regulatory match requirement, and to provide examples of the various types of sources that are allowable for meeting this requirement.

FMNP State agencies have historically used a variety of sources within the parameters of the regulatory definition to meet this requirement. These sources fall into five broad categories: State and local funds, private funds, in-kind contributions, similar-program funding, and program income. **Attachment I** provides a brief description of each type of match source, as well as examples of allowable, and in some cases unallowable, match sources within each category. Please note that these examples **do not** comprise an exhaustive list of possibilities.

Simply put, funds that do not derive from one or more of these stated sources **cannot** be counted toward the required match. State agencies should contact the appropriate Regional Office for assistance if the match source does not fall readily into one of these categories.

Patty Davis

for PATRICIA N. DANIELS
Director
Supplemental Food Programs Division

Attachment

The contents of this guidance document do not have the force and effect of law and are not meant to bind the public in any way. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.

AN EQUAL OPPORT

Attachment I

Categories of Allowable Match Sources for the FMNP

FMNP regulations at 7 CFR part 248.14 state that a State agency may count any form of contribution authorized by 7 CFR 3016.24 toward the State matching requirement, including in-kind contributions. Further, FMNP regulations at 7 CFR part 248.2 define the matching requirement to mean State, local or private funds, or program income equal to not less than 30 percent of the total FMNP costs for the fiscal year. The Secretary may negotiate with an Indian State agency a lower percentage of matching funds, but not less than 10 percent of the total cost of the program, if the Indian State agency demonstrates to the Secretary financial hardship for the affected Indian tribe, band, group, or council. The match may be satisfied through expenditures for similar farmers' market programs, which operate during the same period as the FMNP.

1. State and local funds

This category includes funds that have been appropriated by a State legislature, city council, county commission, tribal government, or other government entity, and specifically earmarked for use in the FMNP. State-appropriated funds have traditionally provided the largest portion of matching funds.

Unallowable sources: In accordance with OMB Circular A-87, Att. A, C3c, State or local funds used for maintenance of effort in or to match allocations for another Federal program, may not be used towards the matching requirement unless specifically authorized by statute. For example, State agencies may not count toward the match requirement funds used to match the Temporary Assistance for Needy Families (TANF) Program or the Community Food Security Grants administered by USDA's Cooperative Extension Service.

2. Private Funds

This category may include private funds from sources such as grants from foundations, community action programs, civic groups, local businesses, and other community-based, non-profit and for-profit organizations. Cash contributions from private non-profit and for-profit organizations or local businesses may also be counted toward the FMNP match. In the section of the FMNP State Plan that describes how the State agency plans to meet the 30 percent match requirement, include a detailed description of all cash donations or letters of commitment from the organization or individuals planning to make such donations.

3. In-kind Contributions

FMNP regulations at 7 CFR part 248.2 define in-kind programs to mean property or services which benefit the FMNP and which are contributed by non-Federal parties without charge to the FMNP.

In-kind contributions are often some of the most difficult to quantify in order to attribute their value toward the FMNP match requirement. FMNP regulations allow a State to include any form of contribution authorized by 7 CFR 3016.24 toward the State-matching requirement, including in-kind contributions. Such in-kind contributions may only be counted where, if the party receiving the contributions were to pay for them, the payments would be allowable costs. State agencies intending to claim in-kind contributions toward the fulfillment of their match requirement should ensure that their allowability is consistent with the Food and Nutrition Service (FNS) policy on allowable FMNP costs. Further, if in-kind contributions are counted towards satisfying a match requirement, the match sources must be verifiable from documented records. The records must show when the in-kind contributions were applied to FMNP and how the value placed on in-kind contributions was derived.

Examples of allowable in-kind contributions that have been claimed in the past towards the FMNP match include services provided to the FMNP by farmers or farmers' market associations, non-profit or for-profit organizations, and volunteers. Some of these activities include cooking demonstrations; nutrition education; outreach and education information dissemination; salaries (only the portion of the salary that is related to FMNP); authorizing markets for the FMNP; training farmers on FMNP requirements; providing listings of authorized FMNP markets; and monitoring farmers and farmers' markets for compliance with FMNP requirements.

Unallowable sources: The value of foods donated by farmers, even if they are authorized by the FMNP, to food banks, food pantries, emergency meal service outlets (soup kitchens), or other food recovery programs. The costs incurred in administering general authorization and oversight of farmers' markets by State or local governments outside the realm of FMNP business.

4. Similar Programs

FMNP regulations at 7 CFR part 248.2 define similar programs to mean other farmers' market projects or programs, which serve low-income women, infants and children, or other categories of recipients, such as, but not limited to, elderly persons.

If State, local, and/or private funds are used in support of another program that either provides farmers' market benefits to low-income families or individuals, or provides State reimbursement to farmers for fresh produce that is provided to low-income families or individuals, the amount of State, local and/or private funds actually expended may be counted toward the FMNP match. For example, State funds used to administer the Seniors Farmers' Market Nutrition Program (SFMNP) can be used towards the State match for the FMNP. In accordance with 7 CFR 3016.23(a), similar-program funds must be expended during the same period that the FMNP is in operation, generally between the months of April - October, depending upon the length of the growing and harvest seasons in each State.

Many State FMNP agencies also provide farmers' market coupons or other benefits to low-income elderly persons. Other State agencies use matching funds to provide coupons for fruits and vegetables to children up to the age of six. Similar programs do not have to be **exactly** like the FMNP in order for the funds used to support them to be counted toward the FMNP match. For example, low-income seniors in several State-supported farmers' market programs are allowed to purchase cheese, eggs, or baked goods, in addition to fresh fruits and vegetables, with their coupons. This variation does not prevent the State agency from considering the State-supported farmers' market coupon program as a similar program for the purposes of the FMNP match requirement. In those States that operate a State-funded food stamp program for legal immigrants, the portion of benefits redeemed at authorized farmers' markets and/or roadside stands to purchase fresh fruits and vegetables may be counted toward the match.

Unallowable sources: Costs associated with the operation of a State program that pays for the transportation of fresh produce to distributing agencies. Expenditures that are associated with projects or programs other than farmers' market projects or programs targeted to low-income persons. Federal funds provided for the SFMNP cannot be used towards the State match for the FMNP.

5. Program Income

FMNP regulations at 7 CFR part 248.13 define program income to mean gross income the State agency earns from grant-supported activities. It includes fees for services performed and receipts from the use or rental of real or personal property acquired with Federal grant funds, but does not include proceeds from the disposition of such property. The State agency shall retain program income earned during the agreement period and use it for program purposes in accordance with the addition method described in 7 CFR 3016.25(g)(2). Fines, penalties or assessments paid by local agencies or farmers/farmers' markets are also deemed to be FMNP income. The State agency shall ensure that the sources and applications of program income are fully documented.

FMNP program income can be used to satisfy the match requirement. Further, program income that accrues to the WIC Program rather than directly to the FMNP can be allocated by the State WIC agency to fulfill the match requirement. If the WIC State agency determines that FMNP activities further the broad objectives of the WIC Program, they must seek permission from FNS, as required by WIC regulations at 7 CFR 246.15(b), to use WIC program income for FMNP related activities. Popular sources of program income used for this purpose include vendor fines and civil money penalties; Welch's or Northern Cranberry grant funds; or interest earned on WIC infant formula or other rebates.