



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

RICK SNYDER
GOVERNOR

MICHAEL P. FLANAGAN
STATE SUPERINTENDENT

FOOD SERVICE

**ADMINISTRATIVE POLICY NO. 13
SCHOOL YEAR 2014-2015**

SUBJECT: Compliance Requirements for Equipment Requests

DATE: January 12, 2015

Government-wide requirements found in the Office of Management and Budget (OMB) guidance cited at 2 CFR Part 225 (*Cost Principles for State, Local, and Indian Tribal Governments*), Appendix B, Section 15 (*Equipment and Other Capital Expenditures*) require a grantee or subgrantee to obtain the prior written approval of its awarding agency before incurring the cost of a capital expenditure.

The attached list includes items that have already been determined by the Michigan Department of Education (MDE) to be allowable and, therefore, a purchase request for these items is not necessary. Purchase of items that are not on the list and exceed \$5,000 require the completion of the attached prior approval form. Any School Food Authority (SFA) making a purchase of an allowable item on the following list must have the ability to absorb the cost of equipment without deferring funds from the non-profit food service account. All purchases must meet the test of being 1) necessary, 2) reasonable, and 3) allocable.

For all other equipment requests, SFAs participating in the National School Lunch Program (NSLP), School Breakfast Program, Afterschool Snack Program, and/or Special Milk Program must:

1. Request prior approval from MDE by submitting the attached form prior to any purchase of equipment or other capital expenditures related to food service when those annual expenditures will exceed \$25,000 cumulative per building.
2. Submit supporting documentation to MDE with the attached request form including a detailed explanation of work to be completed and equipment to be purchased. Keep this form along with any bids/quotes received for your records.

Questions regarding this Administrative Policy may be directed to the School Nutrition Programs unit by email to MDE-schoolnutrition@michigan.gov.

Attachments

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**Michigan Department of Education
School Nutrition Programs (SNP)
Capital Expenditure Approval List for SNP for Single Items with Cost of \$5,000 or More**

TYPE OF EQUIPMENT	GENERAL BENEFIT
Refrigerators and Freezers	Holds and stores food at proper temperature for safety and quality.
<u>Specific Equipment</u>	<u>Specific Benefit Where Applicable</u>
Blast Chiller	Highly effective method of bringing foods down to proper temperatures for distribution.
Combo Refrigerator/Freezer	Single unit, one or more doors, both designed to keep food at proper temperatures.
Glass Door Refrigerator	Using glass door refrigerators, especially on serving lines, is an excellent way to keep foods cold and to market items very effectively for students to choose.
Milk Cooler	A very common and important piece of equipment as it keeps milk at proper temperatures and helps to market milk for sale.
Mobile Refrigerators/Freezers	Multi-use equipment, may be used in kitchen area for storage or be rolled or transported to another area for serving food while keeping food at proper temperature.
Reach In	Typical upright units with doors that allow the user to reach in to the equipment to get required item(s).
Undercounter	Often used for space saving and to have the refrigerated items at the location the contents will be served at.
Work Top	A unit that includes a work surface on top of the refrigeration.
Walk In	Both coolers and freezers that are large enough to hold large quantities of food and allow for employees to walk in to the unit to find required foods.

TYPE OF EQUIPMENT	GENERAL BENEFIT
Oven/Range/Steamers may be gas or electric	Heats, bakes, steams, holds foods at high temperatures.
<u>Specific Equipment</u>	<u>Specific Benefit Where Applicable</u>
Combi Oven	Combines into one unit for space and overall efficiency a regular oven (typically convection) and a steamer. Unit can use one or both functions at the same time.
Convection Oven	One of the basics in quantity food production as food is cooked using a fan to circulate the heat and cook food at a much faster rate.
Conventional Oven	While it needs to be commercial grade, the oven would perform the same function as a standard home oven.
Conveyor	Foods move down a conveyor belt through a heated "oven" and comes out other end fully cooked.
Counter Top	A small but powerful and efficient type of oven often used to heat individual items quickly.
Double Stack	Simply two ovens, one stacked on top of the other. Often convection ovens especially where high volume of cooking/baking is required.

Griddle	Type of surface cooking that can be found as part of an oven or as a separate item designed to cook items like hamburgers, eggs, etc.
Heat n Hold	A unit that has the ability to heat foods up to a specific temperature and then hold the foods at a specific temperature.
Holding Unit	Once foods are cooked in an oven, they may be transported to a holding unit which will keep foods at proper temperatures for food safety and quality control.
Induction Cooktop	A unique type of equipment that does not get hot itself but heats the pan that sits on it. Often used for cooking items to order and/or cooking quantities to temperature relatively quickly.
Range Top	Used for items (although likely larger pots and pans) just like a home range top.
Rotating Rack	Ovens whose internal shelves rotate vertically to cook meats and bakery items evenly and efficiently. Also can be a merchandising tool as customers can often see the food being cooked.

TYPE OF EQUIPMENT	GENERAL BENEFIT
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Hot/Cold Holding Carts and Cabinets	Maintains foods at proper temperatures for food safety and quality.
<u>Specific Equipment</u>	<u>Specific Benefit Where Applicable</u>
Beverage Service	Can hold beverages at proper temperatures, and potentially help merchandise beverages for sale.
Holding Cabinet/Cart	These units are specifically designed to hold foods at proper temperatures, they are not designed to actually cook the food.
Mobile Holding Cabinet/Cart	This equipment can be used to transport food at safe temperatures to the location(s) that the food will be served.
Proofing	These units produce enough heat to proof doughs to rise properly.
Retherm	These types of equipment take pre-prepared foods that have been chilled up to proper serving temperatures. They often do not need exhaust hoods so are an option to a standard oven in some situations.
Self Serve	A hot or cold cabinet that may be open or have doors that allows customers to self serve products they are interested in.
Serving Cart	In most cases a portable unit that may or may not have refrigeration or heat so that it can be taken to the place of meal service.
Warming Cart	Designed to be mobile and keep foods at proper temperatures for safety and quality.

TYPE OF EQUIPMENT	GENERAL BENEFIT
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Hood	Exhaust hoods almost always required to be in place for ovens, stoves, and other heat, potentially fire, pieces of equipment.
Fire Protection	Installed within hoods to extinguish fires created by various pieces of kitchen equipment

OTHER	GENERAL BENEFIT
Mixer	May be a floor or countertop unit, depending on capacity, which mixes a variety of food items for service. Common piece of equipment.
Kitchen Sink - Compartment	Typically a 3 compartment sink; wash, rinse, sanitize. In many cases, a required piece of equipment to wash larger food serviceware such as pots and pans.
Utility Sink	Could be used for a variety of purposes. Most common is to have a sink where vegetables can be washed, utensils rinsed off, etc. There are also floor sinks that can be used for mops and buckets.
Broiler	Typically found in an oven where items can be cooked from the top. Can be a separate item when use and quantity are high.
Cold Pan Serving Counter	A common piece of equipment which includes a "well" or some other form of opening to put items in that need to be refrigerated. Fruits, yogurts, milk, salad bars, and other items can be held and served at proper temperatures.
Cook/Chill System	A relatively high cost but very effective piece of equipment where foods are cooked to proper temperature and then chilled rapidly so as to not keep the food products at improper temperatures for a significant period of time.
Dishwasher	Another very common piece of equipment with a wide range of prices, configurations, and capacities. They help to make sure service equipment is properly washed, rinsed and sanitized at proper temperatures to ensure the safety of using the equipment.
Dough Divider	Item can take a large amount of dough and automatically divide it into proper portion sizes for baking and serving.
Food Display	May be hot or cold, proper display of items keeps items and temperature and helps to merchandize items for sale.
Food Processor	Come in all sizes from counter top to floor models that can process food (shred, chop, blend, etc.) easily and quickly with consistent results
Food Slicer	Another very common piece of food service equipment necessary to cut various items (cheese, meat, vegetables, fruits, etc.) in uniform sizes to help assure proper portion control.
Deep Fat Fryer	Pretty much a thing of the past with new regulations and the general movement to healthier foods. Item deep fries such things as french fries, chicken nuggets, chicken patties, fish products, onion rings, etc.
Hot Well Transport System	Steam table pans are used at the majority of service sites as they keep foods at proper temperature and also merchandise foods properly.
Ice Machine	Can be used in various locations that do not have refrigeration. Ice can be put in the wells to keep foods at proper temps.
Meal/Food Packaging Machine	A system that packages food in quantity or individual servings that then can be sent to satellite schools where the food can be served or rethermed and then served.
Microwave	Commercial version of the home kitchen equipment that can be helpful in heating food rapidly if foods are not at proper temperature or, if food has run out, additional food can be prepared quickly.
Pizza Oven	Various sizes available that can also be used for other baking products.

Produce Washers	Helps to maintain safety of food being served.
Salad Bar	While this item has always been widely used, the Healthy, Hunger-Free Kids Act (HHFKA) and the necessity of serving a variety of fruits/vegetables and other items has greatly increased the use of the salad bar.
Serving Line System	May be hot or cold, proper display of items keeps items and temperature and helps to merchandize items for sale.
Shrink Wrap Machine	Used for both quantity and individual meal items to properly seal products for future serving.
Stainless Steel Work Tables	A must in most kitchens. Stainless steel surfaces to work with food can be washed and sanitized as opposed to wood surfaces/cutting boards.
Steam Jacket Kettle	Different sizes and capacities. Effective and efficient piece of equipment that large quantities of items such as soups and spaghetti sauces can be cooked in.
Steam Table	Stainless steel table with wells to produce heat in order to keep the pans that are placed in the wells at proper temperatures.
Styrofoam Recycling Machine	An alternative to using hard washable trays or using styrofoam trays that are simply thrown out.
Tilt Skillet	Different sizes and capacities. Effective and efficient piece of equipment that large quantities of items such as soups and spaghetti sauces can be cooked in.

Will this purchase be used to benefit any program other than the school food service?				<input type="checkbox"/> Y	<input type="checkbox"/> N
If yes, fill in percentages	School Meals Program	%	All other programs	%	

Is the cafeteria used for other programs/non meal activities?				<input type="checkbox"/> Y	<input type="checkbox"/> N
If yes, fill in percentages	School Meals Program	%	All other Programs	%	

The above requested equipment designated as an Emergency Purchase is necessary in order to continue, without significant interruption, the providing of meals for students under the School Nutrition Programs.

<input type="checkbox"/> Y	<input type="checkbox"/> N
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The Authorized Representative certifies that to the best of their knowledge, the information on this form is complete, accurate, free from any misstatements, and is not misleading in any respect.

<input type="checkbox"/> Y	<input type="checkbox"/> N
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Signature of Authorized Representative

Date

Print Name and Title

Please note that all allowable expenses are subject to all of the cost principles in 2 CFR Part 225, Appendix A. Failure to abide by Appendix A will result in the expenditure being disallowed and the Local Educational Agency's (LEA's) general fund reimbursing the nonprofit school food service account (School Meals Program Fund). Furthermore, if the replaced items are to be sold, federal regulations require that the proceeds from their disposal be used to offset the cost of the new items.

This form constitutes proof of prior approval as required by 2 CFR Part 225, Appendix B, Item 15.

Please keep this in your records for your 3-Year Administrative Review.

(MICHIGAN DEPARTMENT OF EDUCATION - OFFICIAL USE ONLY)

[] APPROVED [] DENIED

Signature of Michigan Department of Education

Date

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Michigan Department of Education
School Nutrition Programs
Request for Approval for Equipment and Other Capital Expenditures
Addendum

2 CFR Part 225

15. Equipment and other capital expenditures.

a. For purposes of this subsection 15, the following definitions apply:

(1) "Capital Expenditures" means expenditures for the acquisition cost of capital assets (equipment, buildings, land) or expenditures to make improvements to capital assets that materially increase their value or useful life. Acquisition cost means the cost of the asset including the cost to put it in place. Acquisition cost for equipment, for example, means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation may be included in, or excluded from the acquisition cost in accordance with the governmental unit's regular accounting practices.

(2) "Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the governmental unit for financial statement purposes, or \$5000.

(3) "Special purpose equipment" means equipment which is used only for research, medical, scientific, or other technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers.

(4) "General purpose equipment" means equipment, which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles.

b. The following rules of allowability shall apply to equipment and other capital expenditures:

(1) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency.

(2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5000 or more have the prior approval of the awarding agency.

(3) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior approval of the awarding agency.

(4) When approved as a direct charge pursuant to section 15.b(1), (2), and (3) of this appendix, capital expenditures will be charged in the period in which the expenditure is incurred, or as otherwise

determined appropriate and negotiated with the awarding agency. In addition, Federal awarding agencies are authorized at their option to waive or delegate the prior approval requirement.

(5) Equipment and other capital expenditures are unallowable as indirect costs. However, see section 11 of this appendix, Depreciation and use allowance, for rules on the allowability of use allowances or depreciation on buildings, capital improvements, and equipment. Also, see section 37 of this appendix, Rental costs, concerning the allowability of rental costs for land, buildings, and equipment.

(6) The unamortized portion of any equipment written off as a result of a change in capitalization levels may be recovered by continuing to claim the otherwise allowable use allowances or depreciation on the equipment, or by amortizing the amount to be written off over a period of years negotiated with the cognizant agency.

(7) When replacing equipment purchased in whole or in part with Federal funds, the governmental unit may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

Renovating a School Kitchen

2 CFR Part 225, Appendix B, section 25, Maintenance, operations and repairs, 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 significantly prolong its intended life;
- (3) are not otherwise included in rental costs or other charges for space.

Based on these principles, the USDA has allowed limited renovations within the inside perimeter of a kitchen/cafeteria space with MDE's required prior approval.

For example, renovating a kitchen by cutting away a portion of the wall to allow room for a walk-in refrigerator and related electrical wiring would be an allowable expense if the renovation is necessary to accommodate increased participation of students in the School Meals Programs (SMPs). However, it would be an unallowable expense if renovation of the kitchen was purely an aesthetic matter.

7 CFR 210.14(a)

Resource management.

(a) Nonprofit school food service. School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, except that, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State agency under § 210.19(a) of this part. School food authorities may use facilities, equipment, and personnel supported with nonprofit school food revenues to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 et seq.).

(b) Net cash resources. The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a).

(c) Financial assurances. The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section.

Building a School Kitchen

SMPs regulations at 7 CFR Parts 210.14 and 220.7(e)(1) require that revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, except that, such revenue shall not be used to purchase land or buildings, or to construct buildings, otherwise unless approved by the USDA. Historically, the USDA has not approved the cost of building purchases because program funds are made available to help support the costs of nutritional benefits for children in school settings and not to construct school related facilities. The goal is to ensure that an SFA maintains the necessary funding to operate the program as required by the SMPs' authorizing legislation and regulations, and that the nonprofit school food service account is not used to cover major expenses that should be paid for by the school district's general funds (i.e., capital infrastructure costs).

The costs of building a kitchen are similar to the costs of constructing school buildings, which historically have been paid for by the school district with general or capital improvement funds. Similarly, such capital infrastructure costs should be paid for by the school district just as the school building and its contents should be.