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**Note:** For additional legal requirements applicable to purchases with federal funds, including 2 C.F.R. 200, see CBB.

For more information on United States Department of Agriculture (USDA) procurement requirements, see the Texas Department of Agriculture (TDA) [Food and Nutrition Division Administrator's Reference Manual](#),<sup>1</sup> Section 17.

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## Definitions

For purposes of this policy, "2 C.F.R. part 200" means the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards published by the Office of Management and Budget (OMB). The part reference covers applicable: Acronyms and Definitions (subpart A), General Provisions (subpart B), Post Federal Award Requirements (subpart D), Cost Principles (subpart E), and Audit Requirements (subpart F). (Note: Pre-Federal Award Requirements and Contents of Federal Awards [subpart C] does not apply to the National School Lunch Program). *7 C.F.R. 210.2, 220.2*

"School food authority" (SFA) means the governing body that is responsible for the administration of one or more schools and has the legal authority to operate the program therein or be otherwise approved by the USDA Food and Nutrition Service (FNS) to operate the program.

"Program" means the National School Lunch Program (NSLP) and the Commodity School Program or the School Breakfast Program (SBP), as applicable.

"Nonprofit school food service" means all food service operations conducted by the SFA principally for the benefit of school children, all of the revenue from which is used solely for the operation or improvement of such food services.

"Nonprofit school food service account" means the restricted account in which all of the revenue from all food service operations conducted by the SFA principally for the benefit of school children is retained and used only for the operation or improvement of the nonprofit school food service.

"Cost reimbursable contract" means a contract that provides for payment of incurred costs to the extent prescribed in the contract, with or without a fixed fee.

*7 C.F.R. 210.2, 220.2*

<b>Administration</b>	The SFA shall be responsible for the administration of the program in schools. <i>7 C.F.R. 210.3</i>
<b>Nonprofit School Food Service</b> National School Lunch Program	The SFA 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 TDA under <i>7 C.F.R. 210.19(a)</i> . <i>7 C.F.R. 210.14(a)</i>
School Breakfast Program	Pursuant to required written agreements, the SFA shall, with respect to participating schools under its jurisdiction maintain a nonprofit school food service. In accordance with the financial management system established under <i>7 C.F.R. 220.13(i)</i> , use all revenues received by such food service only for the operation or improvement of that food service. Revenues received by the nonprofit school food service shall not be used to purchase land or buildings or to construct buildings. <i>7 C.F.R. 220.7(e)(1)(i)-(iii)</i>
<b>Food Service Management Companies</b>	An SFA may contract with a food service management company to manage its food service operation in one or more of its schools. However, no school or SFA may contract with a food service management company to operate an a la carte food service unless the company agrees to offer free, reduced price and paid reimbursable lunches to all eligible children. Any SFA that employs a food service management company in the operation of its nonprofit school food service shall comply with the requirements of <i>7 C.F.R. 210.16 (NSLP)</i> or <i>7 C.F.R. 220.7(d) (SBP)</i> . <i>7 C.F.R. 210.16, 220.7</i>
<b>USDA Procurement Requirements</b>	The SFA shall comply with requirements of <i>7 C.F.R. Part 210 (NSLP)</i> , <i>Part 220 (SBP)</i> , and <i>2 C.F.R. Part 200, subpart D</i> and <i>USDA implementing regulations 2 C.F.R. Part 400 and Part 415</i> , as applicable, which implement the applicable requirements, concerning procurement of all goods and services with nonprofit school food service account funds. <i>7 C.F.R. 210.21(a), 220.16(a)</i>
District Procurement Procedures	An SFA may use its own procurement procedures which reflect applicable state and local laws and regulations, provided that procurements made with nonprofit school food service account funds adhere to the standards set forth in <i>7 C.F.R. Part 210</i> and in <i>2 C.F.R. Part 200, Subpart D</i> , as applicable. SFA procedures must include a written code of standards of conduct meeting the minimum standards of <i>2 CFR 200.318</i> , as applicable. [See CBB(LEGAL) at Procurement Standards]

*Pre-issuance  
Review*

TDA may impose a pre-issuance review requirement on an SFA's proposed procurement. The SFA must make available, upon request by TDA, its procurement documents, including but not limited to solicitation documents, specifications, evaluation criteria, procurement procedures, proposed contracts and contract terms. The SFA shall comply with TDA requests for changes to procurement procedures and solicitation and contract documents to ensure that, to TDA's satisfaction, such procedures and documents reflect applicable procurement and contract requirements and the requirements of 7 C.F.R. Part 210.

*Prohibited  
Expenditures—  
Noncompliant  
Procurement*

No expenditure may be made from the nonprofit school food service account for any cost resulting from a procurement failing to meet the requirements of 7 C.F.R. Part 210 (NSLP) or Part 220 (SBP).

*7 C.F.R. 210.21(c), 220.16(c)*

**Conflicts of Interest**

A district must disclose in writing any potential conflicts of interest to the USDA awarding agency or pass-through entity (e.g., TDA).

The district must maintain written standards of conduct covering conflicts of interest and governing the performance of its employees in the selection, award and administration of federal awards. No employee, officer or agent may participate in the selection, award, or administration of a federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a non-federal entity considered for a federal award. The district may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the district.

*2 C.F.R. 400.2*

**Cost Reimbursable  
Contracts**

The SFA must include the provisions specified in 7 C.F.R. 210.21(f)(1) (NSLP) or 220.16(e)(1) (SBP) in all cost reimbursable contracts, including contracts with cost reimbursable provisions, and in solicitation documents prepared to obtain offers for such contracts.

Prohibited  
Expenditures—  
Noncompliant  
Contract

No expenditure may be made from the nonprofit school food service account for any cost resulting from a cost reimbursable contract that fails to include the requirements of 7 C.F.R. 210.21 (NSLP) or 220.16 (SBP), nor may any expenditure be made from the nonprofit school food service account that permits or results in the contractor receiving payments in excess of the contractor's actual, net allowable costs.

*7 C.F.R. 210.21(f), 220.16(e)*

**Buy American**

Domestic  
Commodity or  
Product

“Domestic commodity or product” means an agricultural commodity that is produced in the United States, and a food product that is processed in the United States substantially using agricultural commodities that are produced in the United States.

Requirement

The USDA shall require that an SFA purchase, to the maximum extent practicable, domestic commodities or products.

*7 C.F.R. 210.21(d), 220.16(d)*

**Optional Geographic  
Preference**

An SFA participating in the program may apply a geographic preference when procuring unprocessed locally grown or locally raised agricultural products. When utilizing the geographic preference to procure such products, the SFA making the purchase has the discretion to determine the local area to which the geographic preference option will be applied.

For the purpose of applying the optional geographic procurement preference, “unprocessed locally grown or locally raised agricultural products” means only those agricultural products that retain their inherent character. The effects of the following food handling and preservation techniques shall not be considered as changing an agricultural product into a product of a different kind or character: cooling; refrigerating; freezing; size adjustment made by peeling, slicing, dicing, cutting, chopping, shucking, and grinding; forming ground products into patties without any additives or fillers; drying/dehydration; washing; packaging (such as placing eggs in cartons), vacuum packing and bagging (such as placing vegetables in bags or combining two or more types of vegetables or fruits in a single package); the addition of ascorbic acid or other preservatives to prevent oxidation of produce; butchering livestock and poultry; cleaning fish; and the pasteurization of milk.

*7 C.F.R. 210.21(g), 220.16(f)*

**Sale of Milk**

An SFA participating in the program, or a person approved by a school participating in the program, must not directly or indirectly restrict the sale or marketing of fluid milk (as described in 7 C.F.R. 210.10(d)(4)) at any time or in any place on school premises or at any school-sponsored event. *7 C.F.R. 210.21(e)*

**Dairy Products**

A district may not purchase milk, cream, butter, cheese, or a product consisting largely of one or more of those items that has been imported from outside the United States. This provision does not apply to the purchase of milk powder if domestic milk powder is not readily available in the normal course of business. *Health & Safety Code 435.021*

**Imported Beef**

A district may not purchase beef or a product consisting substantially of beef that has been imported from outside the United States. *Agriculture Code 150.012*

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<sup>1</sup> TDA Food and Nutrition Division *Administrator's Reference Manual*:  
<http://squaremeals.org/Publications/Handbooks.aspx>