# School Nutrition Unit

## Local Food Program Frequently Asked Questions

This resource outlines Local Food Program regulations and requirements to help sponsors prepare for a successful year implementing the program.

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## Definitions

- "Child Nutrition Programs" refers to any of the following federally funded meal programs: National School Lunch Program, School Breakfast Program, Special Milk Program, Afterschool Snack Program, Child and Adult Care Food Program, Summer Food Service Program, and the Fresh Fruit and Vegetable Program.
- "Colorado grown, raised or processed product" means all fruits and vegetables, grains, meats and dairy products, ***except liquid milk***, grown or raised in Colorado and minimally processed products or value-added products that meet the standards for Colorado Proud. (The product does not have to carry the Colorado Proud designation.)
  - Sponsors must procure from businesses must be based in Colorado, and the product must be made, raised, produced, grown or processed in Colorado.
    - The following products are allowable:
    - Raw proteins such as chicken, bison and beef that are produced, processed or manufactured in Colorado and meet the Colorado Proud Designation.

  - Raw fruits and vegetables that are produced or grown in Colorado and meet the Colorado Proud designation.
  - Dairy items such as cheese, yogurt, and heavy cream that are processed in Colorado and meet the Colorado Proud designation.
- "Minimally processed products" means raw or frozen fabricated products that retain their inherent character, such as shredded carrots, shredded cheese or diced onions; and dried products such as beans and flour. It does not include any products that are heated, cooked or canned.
  - The following products are allowable:
  - Whole grain-rich flours and other whole grain-rich products that are grown, milled, processed or manufactured in Colorado. In alignment with the USDA, whole grain-rich means at least 50 to 100% of the grains in the product are whole grains, and the remaining grain, if any, must be enriched.
- "Value added processed products" means products that are altered from their unprocessed or minimally processed state through preservation techniques, including cooking, baking or canning.
  - The following products are allowable:
  - Pre-cooked or prepared items such as tamales, sausages, sauces, chips and breads that are produced, processed, or manufactured in Colorado and meet the Colorado Proud Designation.
- "Sponsor" means a school district, charter school, Board of Cooperative Services that operates a public school, a facility school or Residential Child Care Institution and operates Child Nutrition Programs.
- "Local" for this program is anything grown, raised, processed or manufactured within the state of Colorado.

## Local Food Program Details

1. **What is the Local Food Program?**
   The Local Food Program provides eligible Child Nutrition sponsors with funding to purchase Colorado grown, raised, or value-added processed products for use in federal child nutrition programs. This Colorado state funded grant supports small and mid-sized Colorado producers while strengthening nutrition education and meal quality for students across the state.
   The Local Food Program:

   - Provides funding to eligible school nutrition operators to procure Colorado-grown, raised, processed and value-added products.
   - Supports implementation of program requirements by allowing a portion of funds to be used for:
     - A mandatory advisory committee made up of students and parents (up to 12%)
     - Administrative costs related to program implementation (up to 10%)

   Colorado products funded through the program must be served to students participating in the School Breakfast Program and National School Lunch Program. Because the LFP is tied to the Healthy School Meals for All programming, LFP funding cannot be used for the Summer Food Service Program or Afterschool Snack Program.

2. **What sponsors are eligible for the funding?**
   Sponsors that participate in the National School Lunch Program and Healthy School Meals for All are eligible to apply for this opportunity. Eligible sponsors are:

   - A School District.
   - A Board of Cooperative Educational Services (BOCES); approved as a School Food Authority.

- A Charter School authorized by a School Food Authority.
- Residential Child Care Institutions and Facility Schools.

3. **How is funding determined?**
The award allocation will be ***up to*** $0.25 per lunch served two years prior to the enacting program year, with funding contingent on approval of appropriations from the State Legislature. At a minimum, sponsors that opt-in to the program are eligible to receive $5,000 if their calculated award amount is less than the minimum amount. Funding will be awarded for a one-year term at the beginning of the state's fiscal year (July 1-June 30). Additional grant funding for subsequent years will be contingent on annual appropriations by the State Legislature, and grantees meeting all grant, fiscal and reporting requirements.

   CDE will create a **LFP Sponsor Award Tool** to help sponsors view their allocated award amount and calculate allowable advisory committee and administrative costs.

   Sponsors will need to determine their allotted award amount during the opt-in process. Sponsors may choose to accept less than the full amount allocated. The estimator tool will be available on CDE's Source Local Foods webpage when it is finalized.

4. **Are sponsors required to accept the entire funding awarded?**
Sponsors may choose to accept less than the full amount allocated. CDE encourages sponsors to request only the amount of funding they can spend. Funding that is not taken during the opt in period

   After the specified application deadline, any remaining funds that are not initially allocated will be available for reallocation. Only districts that initially receive $25,000 or less as their grant award amount will be eligible to receive reallocation awards. CDE will prioritize additional funding based on the highest identified student percentage and greatest financial need.

   Any funding that is not spent by the end of the program year must be returned to CDE. Remaining funds will go back into the Healthy School Meals for All state account.

5. **What is the timeline for opting-in and implementing the Local Food Program?**
Sponsors will opt-in each spring to implement the LFP for the following fiscal year (July 1-June 30). Approval of applications will happen on a rolling basis, as applications are received and reviewed by CDE. Approvals will happen in CDE's grant management system, GAINS, and sponsors will be notified via the GAINS system and email. Funding for the LFP will be distributed for immediate use for the awarded school year. All funding received by sponsors will need to be utilized by June 30.

6. **What should sponsors do to prepare, and what additional factors should be considered for Local Food Program implementation?**
Starting February 2026, Sponsors should start gathering information on how much they spend on Colorado grown, raised, minimally processed, or value-added products. If a sponsor is interested in opting-in, but has never procured local items, it is recommended to start with easy swaps such as items on the salad bar or raw proteins. Sponsors should start researching local producers and gathering quotes or prices as part of their procurement process. Additional resources to support local procurement can be found on the Source Local Food webpage.

## Grant Requirements

1. **How will sponsors opt-in to receive Local Food Program Funding?**
   Sponsors will opt in to the program using GAINS. The deadline to opt-in will be outlined in the annual Request for Applications. Opting into the LFP will be conducted at the sponsor level for school districts.

2. **How will charter school sites opt-in?**

   Charter schools participating in Child Nutrition Programs through a charter-specific SFA - Charter School Institute & Charter Choice Collaborative - may apply individually or as a charter network (if under one SFA). Each site must apply in GAINS. The SFA will still serve as the fiscal agent once LFP funds are awarded.

   Flexibility for individual charter applications is pending 2026 legislative approval. Eligible schools are encouraged to apply individually. If not approved, charter SFAs will receive an extension to apply at the SFA level.

   Charter school sites and networks, within Charter Choice Collaborative, interested in applying for the Local Food Program (LFP) and Wages and Stipends grants must first complete a brief Intent to Apply form by April 24. After the form is submitted, CDE will create organization profiles for each site or network in its grant management system, GAINS.

   Charter schools that function as their own School Food Authority (SFA) are required to opt into LFP independently. Those that operate under a district SFA - other than CSI and Charter Choice - will be included in the sponsoring district's application.

3. **What does the opt-in process look like?**
   The opt-in process is a non-competitive application that includes brief narrative questions and submission of a projected procurement plan. Sponsors will submit their narrative responses in GAINS, along with:

   - A list of local suppliers (producers and manufacturers) they plan to procure from.
   - The types of products they plan to purchase.

   As part of the opt-in process, sponsors will request their total funding amount or a portion of their allocated funding based on their program operations and procurement plan. Sponsors are not required to accept the full allocated amount and may request less funding, if appropriate.

4. **What are the reporting requirements for the Local Food Program?**
   Each sponsor that receives funding through the Local Food Program is required to report, at a minimum, the following information to CDE on or before **July 1 of each participating year**:

   - The total food cost for all products used in meal preparation and the portion of that total attributable to the LFP funding.
   - The quantity of units purchased.
   - The total amount spent on Colorado grown, raised, processed and value-added products and the portion of that total attributable to LFP funding.
   - Total number of meals served in federal Child Nutrition Programs.
   - How funds were used for advisory committee costs and other allowable program costs.

5. **What expenditures are allowable in the Local Food Program?**
   Allowable use of LFP funding includes:

   - Procurement of Colorado-grown, raised, processed, and value-added products
   - Processing fees for raw animal proteins (up to 10% of funding, unless the processing fee is included in the original price)
   - Value-added processed products (up to 25% of total food funding)
   - Advisory committee costs (up to 12% of allocated funding)
   - Other allowable administrative costs (up to 10% of allocated funding)

   Most LFP funds must be used to procure Colorado grown, raised and processed products. Up to 25% of the total award for food may be used to purchase value-added processed products. All products purchased must meet the categories outlined in the Definitions section.

   Raw or minimally processed products that are brought across state lines and then processed in Colorado into a new product may qualify as a Colorado Proud value-added product. For example, eggs sourced from out of state and used in Colorado to produce a baked item (such as zucchini bread) would be considered an allowable value-added processed product.

   CDE continues to refine parameters for minimally processed and value-added processed products eligible under this grant. CDE will collaborate with partners, including the Colorado Department of Agriculture.

6. **What are the other allowable costs associated with the LFP?**
   Allowable costs include services or activities directly related to the administration of the LFP. This includes school kitchen infrastructure, equipment and supplies to support utilization of Colorado grown, raised, processed and value-added products in school meals. It also includes staff wages or salary for the administration of the LFP. Up to 10% of grant funding can be used for allowable costs that include, but are not limited to:

   - Staff time and salary for procuring Colorado foods.
   - Staff tasks related to washing, prepping, procuring and tracking local foods.
   - Professional development/staff training for the LFP.
   - Scratch cooking equipment to store, process and scratch cook Colorado foods.
   - Capital equipment (cannot include construction or renovation).
   - Storage fees related to the Local Food Program.
   - School kitchen cold storage.
   - Transportation or delivery of Colorado products within the school district.
   - Food Service Management Company or Vended Meals Contract Costs related to LFP (staff time preparing meals, staff time procuring local items, etc.).
   - Sending staff to a Farm to School Conference or another district to learn about Farm to School efforts.

   Allowable expenditures must be necessary and reasonable for proper and efficient administration of the LFP and conform to any limitations or exclusions set forth in program regulations. Funding may not be used for any expenses outside of the nonprofit school food account.

7. **Do sponsors need to know their entire LFP budget now?**

Sponsors are required to submit an estimated budget during the GAINS opt-in process. This budget must include projected costs for Colorado-grown, raised, and processed products, as well as the anticipated sources (farms, ranches, and businesses) from which these products will be procured. While these figures do not need to be finalized at the time of opt-in, sponsors should provide reasonable estimates to demonstrate that the requested funding amount has been thoughtfully considered.

Sponsors may also include estimated costs for allowable expenses and advisory committee activities. Providing these estimates during the opt-in process can help avoid the need for a budget revision later.

Sponsors who do not include these allowable costs during opt-in but incur them during the grant period will be required to submit a budget revision midway through the year.

**8. What food expenditures are unallowable in the Local Food Program?**

Unallowable expenses for LFP funding include:

- Raw or minimally processed products that are brought across state lines and only packaged in Colorado do not meet Local Food Program requirements. For example, eggs sourced from out of state and packaged in Colorado do not qualify for the Colorado Proud designation.
- Value-added processed products produced by national corporations with multi-state operations (e.g., Mission Foods, Frito-Lay).
- Liquid milk.
- Any expenses outside of the nonprofit school food account.

**9. What types of equipment can be purchased with Local Food Program (LFP) funds, and how should these purchases be managed?**

Equipment purchased with Local Food Program (LFP) funds must directly support program activities related to local foods purchased through the grant. For example, food processing equipment should support the scratch cooking or processing of local products, and refrigerators or freezers should be used to store local items.

Sponsors requesting equipment purchases must provide written justification in their LFP Expenditure Tracker under the Administrative and Operating Expenses tab, explaining how the equipment supports the use of local foods.

Sponsors must also follow CDE's Capital Equipment Purchase and Approval Procedures when making purchases and submit requests for approval for any items not listed or requiring prior approval. Please note that not all items on the prior approved list will be eligible under LFP, as equipment must directly support local food purchases. For example, cash registers would not be allowable, and milk coolers are also not allowable, since fluid milk is not an eligible product under the LFP.

All equipment purchases made with LFP funds must comply with state and federal regulations and must be allowable expenditures under the sponsor's Nonprofit School Food Service Account (Fund 21).

**10. What is the Advance Payment for Charitable Foods Act and how does it impact the LFP?**

The Advance Payment for Charitable Foods Act was passed in 2023 and allows non-profit organizations, such as school districts and school sites, to offer advance payments for the purchase of Colorado agricultural products using state grant funding. The purpose of this bill is to align grant funding cycles with the growing season and for producers to anticipate demand for state grown and processed products. Schools can pay for agricultural products ahead of the growing cycle.

If districts choose this option, there must be a written agreement in place with the producer that if the product fails to be delivered, the producer must refund the entire amount that was paid in advance.

**11. How are value-added processed products determined?**
Value-added processed products are foods that have been cooked, heated, canned or otherwise processed into a form different from their original state. Examples include, but are not limited to, pre-cooked meats, dried pasta, hamburger buns, bread, chips, green chili sauce, marinara sauce and tomato sauce.

LFP funding can be used to purchase value-added processed products, however, sponsors are limited to using no more than 25% of total grant funding for this category.

**12. What makes a product Colorado Proud?**
A product qualifies for the Colorado Proud designation only if it is produced by a Colorado-based company. While not all ingredients must be grown in Colorado, the product must be made or manufactured within Colorado. Eligible companies are typically registered with the Colorado Secretary of State, employ Colorado residents and contribute to the state's economy. The Colorado Department of Agriculture determines eligibility for the Colorado Proud designation. To learn more, visit CDA's webpage.

**13. How will Local Food Program sponsors be audited?**
CDE's School Nutrition Unit will select a group of sponsors each year for review which will align with the Administrative Review cycle. Selected sponsors will submit a representative sample of invoices for the products purchased using the grant money.

**14. Are there additional program requirements?**
Yes. Sponsors participating in the LFP must meet the following ongoing requirements:

- **Monthly expenditure reporting:** Submit regular reports on expenditures for Colorado products to the School Nutrition Unit using the designated reporting format. This will be a district/site specific Google Sheet that SNU will provide to each grantee.
- **Mid-year reporting:** Submit required information to the Technical Assistance Grant provider, including:
    - Successes and challenges of the program
    - Progress on award spending, including a plan to spend remaining funds
- **Farm-level data (if applicable):** Request farm-level data and velocity reports from distributors and make reasonable efforts to include this information in expenditure reporting. The School Nutrition Unit will provide guidance and support.
- **End-of-year reporting:**
    - Submit required closeout information to CDE via GAINS.
    - Submit to the Technical Assistance Grant provider:
    - Total food costs for all school meals and the portion attributable to LFP funding.

    - Total number of meals served through federal Child Nutrition Programs.
- **External program evaluation:** Participate in evaluation activities conducted by a partner, external designee or auditor for the grant program.
- **Recordkeeping:** Maintain invoices and procurement documentation for three years plus the current year for audit purposes.

**15. How should the grant be coded?**

The LFP grant project code is 3249 (source code 3000). This code must be used for tracking the funding allocated to each sponsor at the beginning of the year. CDE recommends that sponsors use code 0639 while tracking Colorado purchases in the Chart of Accounts.

Funding will be issued as a one-time payment to the non-profit food service account, unless the sponsor is awarded reallocation in the middle of the program year.

**16. What happens if funds are incorrectly spent?**

If during an audit, a sponsor is found to have used a significant portion of grant funds for unallowable costs, they will be ineligible for Local Food Program funding in the next budget year.

## Advisory Committees

**1. What is the required Advisory Committee?**

Sponsors receiving Local Food Program funding must establish an Advisory Committee of students and parents from the schools served. The committee should reflect the racial, ethnic and socioeconomic diversity of the student population and provide guidance on food procurement to ensure meals are healthy, culturally relevant and appealing to all students. Sponsors may use administrative cost funding to hire external partners or contractors to support Advisory Committee implementation.

- School food authorities serving one million or fewer lunches in School Year 2023–24 may, with CDE's approval, collaborate with other SFAs to create a shared Advisory Committee.

**2. What is the intent of the Advisory Committee?**

The intent of the Advisory Committee is to build trusting relationships between food service departments, students, parents and the community. Feedback provided by the Advisory Committee will help nutrition services in the planning of meals, procurement of Colorado products and help ensure meals are received well by the student population. The committee can:

- Provide input on selection of foods to be culturally relevant, healthy and appealing.
- Help gather feedback from students via surveys or other methods.
- Suggest local purchases to support small to mid-sized farmers.
- Advise on recipes to be nutritious and culturally relevant.
- Support taste testing, solutions for food waste, planning scratch meals and offering strategies to maximize free and reduced application completion.
- Learn about the logistics of procurement, menu requirements and operational management of school food operations to make realistic recommendations.

**3. How can the sponsor connect with other school groups to bolster collaboration and ease the administrative burden of the Advisory Committee?**

Several committees similar to the Advisory Committee might already exist within a school district or charter school site. CDE recommends the sponsor connect with the district Wellness Committee and the School and District Accountability Committees (SACs and DACs). Wellness Committees are typically held within Nutrition Services and help write and evaluate the district's required Wellness Policy. SACs and DACs are mandated committees at each school and district level that are composed of principals, teachers, parents and community members. These committees exist to make recommendations and increase community engagement. All these committees meet regularly and may serve as a space for collaboration with the LFP Advisory Committee.

4. **How many people should be on the Advisory Committee?**
   CDE recommends 8-10 and no more than 15 people to serve on the Advisory Committee. Sponsors should focus on finding 2-3 students, 2-3 parents (of different families from the students) and 2-3 staff to participate. Ultimately, the sponsor can determine the committee size that best fits their needs, for instance, small-rural districts might have fewer members, while a very large district might have more than the recommended amount.

5. **How should meetings be structured?**
   The structure of the meetings will be dependent on the community's needs, but CDE encourages Advisory Committees to spend the first meeting building relationships, sharing knowledge and providing a baseline for current school meal operations. Committees can self-determine when, where and how they meet. Sponsors will need to keep an agenda and sign in sheets for their program records. It is recommended that committees establish guidelines for participation that may include attendance expectations.

6. **Who runs/chairs the Advisory Committee?**
   CDE recommends a parent serve as chair of the Advisory Committee, with the district (or charter school site) nutrition services representative helping to guide meeting agendas. Ultimately, the sponsor may decide how leadership and roles are structured. The Food Service Director or sponsor designated staff person should support the Advisory Committee without leading it, ensuring the committee remains a collaborative effort driven by the community.

7. **How often should the Advisory Committee meet?**
   CDE recommends advisory committees meet quarterly (August, November, February, May). The format of the meetings can be determined by the group (virtual or in-person).

8. **What are the types of costs associated with the Advisory Committee?**
   Up to 12% of the grant funding can be used for the mandatory advisory committee. Payments for these costs will be completed and approved by the sponsor. Costs will be tracked on an expenditure tracker, which will be provided by CDE at the beginning of the program year. Advisory committee costs include (but are not limited to):

   - Paying participants for their time.
   - Language translation services.
   - Advisory committee marketing/resources.
   - Childcare.
   - Transportation reimbursement.
   - Food for participants.

- Staff time/salary for organizing an Advisory Committee.
- Contracting services with a non-profit to convene and facilitate the advisory committee.

**9. How should sponsors recruit participants (students and parents)?**

CDE recommends recruiting Advisory Committee members in spring and summer, before the following academic year. Recruiting early allows the sponsor and committee to make the best use of meeting time once the school year begins.

Sponsors can also look to teachers and school staff to recommend or even nominate interested parents to the LFP Advisory Committee. If inclined, sponsors accept applications from parents and students interested in participating. Sponsors must do their due diligence in recruiting Advisory Committee members that reflect the racial, ethnic, and socioeconomic demographics of the student population.

**10. Do participants have to apply to be on the Advisory Committee?**

Sponsors do not have to require Advisory Committee participants to apply, but it might be recommended at large districts or sites that have a lot of interest. The process to invite or select parents and students onto the Advisory Committee must be intentional and represent the ethnic, racial, and socioeconomic demographic of the district or site.

**11. What is a combined Advisory Committee?**

A combined advisory committee is formed when multiple sponsors or charter sites operating LFP choose to partner together, creating a single, larger committee instead of maintaining separate ones. These committees must still meet all requirements, including representation from parents and students of participating grantees, and should reflect the racial, ethnic, and socioeconomic diversity of each grantee's student population.

Combined advisory committees require pre-approval from CDE, and interested grantees must complete CDE's Interest Form. While the only formal eligibility requirement is that the participating grantee serves one million or fewer lunches, additional factors should be considered to ensure the committee's effectiveness. These include geographic proximity (so that occasional in-person meetings are feasible), alignment in school meal operations (such as self-operated programs, FSMCs, or vended meals), and similarities in school menus and availability of local products.

Each combined advisory committee must designate a primary point of contact. Although sponsors may collaborate through a shared committee, they remain individually responsible for tracking their own eligible advisory committee expenses, including those incurred as part of the combined effort.

**12. What documentation is required for the Advisory Committee?**

Expenditure documentation must be tracked on a form designated by CDE. This documentation will record all costs associated with the Advisory Committee. The sponsor will also need to keep meeting agendas and a record of attendance from each meeting.

**13. What resources are available for nutrition staff guiding the Advisory Committee?**

In partnership with Hunger Free Colorado, CDE will provide facilitation guides, agenda templates and community engagement resources for the Advisory Committee. An expenditure tracker will be shared by CDE. These resources will be available in late summer or early fall.

## Implementation and Best Practices Considerations

1. **What are the procurement regulations for the Local Food Program?**
   All applicable Federal, State and Local rules and regulations must be followed, including but not limited to 2CFR 200, 105 ILCS 5/10-20.21, local procurement requirements and food safety requirements. This means sponsors must utilize the micro-purchase, small purchase or formal purchase methods when procuring Colorado products. For more information on school nutrition procurement regulations, visit CDE's Sourcing Foods webpage.

2. **What are the food safety regulations for local producers and the Local Food Program?**
   Each sponsor sets their own food safety standards when it comes to local produce, such as raw, whole fruits and vegetables. Sponsors need to consider the farm where the food is produced or the warehouse the food is aggregated in. It is important the appropriate measures are in place to prevent foodborne illness. Raw animal proteins must be processed in a USDA facility (with the exception of poultry). CDE encourages sponsors to talk to their producers and vendors and request their on-farm food safety plans. More resources can be found on the USDA's Implementing Farm to School Activities: Food Safety webpage.

3. **Where can I find training and resources related to the LFP?**
   Training, resources, webinars and one-on-one Technical Assistance will be provided by CDE's School Nutrition staff. Once sponsors opt-in to the program, CDE will be in contact about training opportunities and targeted Technical Assistance needs. The LFP Informational Webinar, along with program resources, can be found on the Local Food Program webpage.

   Office hours will be hosted weekly during the application process to answer questions about the program, the application, and allowable costs. The office hour schedule can be found on the Local Food Program webpage.

4. **What is the Local Food Program Technical Assistance Grant?**
   In addition to funding for Colorado product procurement, a statewide nonprofit organization will administer the Local School Food Purchasing Technical Assistance and Education Grant Program. This program provides grants to support participating school food authorities in:

   - Purchasing Colorado-grown, raised, or processed products
   - Preparing meals using basic ingredients rather than fully processed products

   Each year, the nonprofit will award subgrants to sponsors, producers, distributors and food systems coordinators to strengthen the Colorado food system and support LFP implementation.

## Food Service Management Company and Vended Meals Consideration

1. **How should sponsors contracting with a FSMC administer the LFP?**
   The sponsor is accountable for all LFP program monitoring and reporting. There are two options for sponsors to work with their FSMC:

1) The sponsor can request that the FSMC is responsible for most aspects of the LFP, such as the procurement of Colorado products and tracking allowable costs. Sponsors will remain responsible for completing the annual LFP application and related CDE audits. Sponsors will work with their FSMC to determine who will be responsible for tracking. Ultimately, the sponsor is responsible for the LFP program monitoring and reporting. All LFP allocations will accrue to Fund 21, remain with the sponsor, and will be used to pay allowable portions of the FSMC's invoices. CDE recommends this option.

2) The sponsor participates in the LFP but will operate the program outside of their RFP and subsequent contract with the FSMC. The FSMC will have no responsibility for the administration of the LFP but agrees to incorporate the products the sponsor procures into their child nutrition program menus. The sponsor can utilize up to 10% of the awarded LFP funding to pay the FSMC for the labor to incorporate the products in the meals the FSMC serves. The sponsor will be responsible for the procurement, purchasing, product delivery and program reporting.

   As with USDA Foods, it is the responsibility of the sponsor to ensure the FSMC is fully and appropriately utilizing the allocated balance, and the sponsor is receiving full credit for the LFP funding.

2. **What are the contract and financial considerations for FSMC Cost-Reimbursable contracts?**
   For cost-reimbursable contracts, sponsors and FSMCs can generally incorporate the LFP. Similar to the USDA DoD Fresh Produce Program, the FSMC can directly procure Colorado-grown, raised and processed products for school meals and manage inventory.

   The FSMC is responsible for:

   - Maintaining vendor information, receipts and allowable cost documentation.
   - Crediting the LFP by reporting the value of products purchased and administrative costs used through the monthly invoicing process.

   The sponsor uses LFP funding to cover this portion of the cost-reimbursable contract. Additionally, up to 10% of LFP funding for allowable administrative costs can be used to offset direct costs incurred by the FSMC, which should be negotiated during contract renewal or establishment.

3. **What are the considerations for FSMC Fixed-Fee contracts?**
   The best and preferred method is for the FSMC to incorporate the cost of procured Colorado products and the administration of the LFP into a proposed rate per meal. The sponsor will provide the LFP estimated funding amount in the renewal, and the costs will be reflected in the fixed price per meal. In this circumstance, the fixed fee rate covers all costs associated with the LFP.

   Up to 10% of LFP funding for allowable administrative costs can be used to offset direct costs incurred by the FSMC, which should be negotiated during contract renewal or establishment.

4. **What should sponsors consider when working with a meal vendor?**

   Sponsors that contract with meal vendors pay a fixed price per meal or specific meal components. When participating in LFP, the preferred approach is for the vendor to incorporate both the cost of Colorado-grown products and the administrative effort required to implement LFP into the fixed per-meal rate.

   In this model, the sponsor includes their estimated LFP funding in their initial RFP and annual renewal agreements. The vendor ensures the fixed price per meal reflects all costs associated with operating the program, including sourcing local foods and managing logistics.

Sponsors may also use up to 10% of their LFP funds for allowable administrative and operational costs. When working with a vendor, these costs - such as labor to procure local products or coordinate deliveries - should be negotiated during the contracting process and included in the fixed meal rate. It is the decision of the SFA how to allocate this 10% threshold, and the SFA is responsible to ensure that costs do not exceed this threshold. In certain instances, SFA's and meal vendors could split this allowable cost. Additionally, the SFA will need to know if the vendor is including an administrative fee in their price per-meal so that it can be tracked appropriately in the LFP tracker.

Even when vendors handle procurement, sponsors remain responsible for tracking local food purchases. Sponsors should work closely with vendors to ensure they receive detailed documentation on local sourcing, so purchases can be accurately recorded. Sponsors should also monitor the vendor's use of funds over the school year to ensure full utilization.

Example scenario:

A sponsor receives 100 meals in one month at a contracted rate of $5 per meal, resulting in a total invoice of $500.

- The vendor documents that $50 of that total reflects the cost of Colorado-grown food used in the meals.
- The sponsor may use LFP funds to cover that $50 portion of the invoice tied to local food purchases.
- In addition, the vendor may have included a small amount in the per-meal rate to cover administrative efforts - such as sourcing from local producers or coordinating deliveries - which would fall under the allowable 10% administrative cost.
- The sponsor would document the $50 of local produce, and the related agreed-upon admin fee, on their LFP Tracker

Over time, these costs may vary. For example, local food purchasing may be higher in months like September, when more products are in season, and lower in months like February. Sponsors should work with vendors to account for this variability, often by averaging costs across the year to maintain a consistent and predictable meal rate.

5. **What resources are available for sponsors contracting with a FSMC or Meal Vendor?**
   CDE provides contract language for contract renewals, amendments and new contracts for sponsors working with a FSMC or meal vendor. The contract language delineates delegable duties, responsibilities, and outlines the funding and payment structure for LFP administration.