

Solely Enhancing the Competitiveness of Specialty Crops

The guidance presented below in a question and answer format was developed by the California Department of Food and Agriculture to ensure that Specialty Crop Block Grant Program (SCBGP) funding solely enhances the competitiveness of specialty crops based on United States Department of Agriculture guidance.

Q. What is the purpose of the Specialty Crop Block Grant Program?

- A. The purpose of the SCBGP is to solely enhance the competitiveness of specialty crops. For further guidance on the purpose of the program including eligible grant projects and a definition of eligible specialty crops, see the SCBGP website at www.ams.usda.gov/scbgp.

Q. What types of projects have the potential to benefit products that are not eligible specialty crops?

- A. Projects such as double value coupon programs, farmers' market promotions, general "buy local" programs, and local food events. Since these projects include the promotion of products other than fruits, vegetables, tree nuts, dried fruit, horticulture, nursery crops, including floriculture, they do not fully align with the statutory purpose of the SCBGP, which is to "solely enhance the competitiveness of specialty crops."

In these cases, it is difficult to accurately and directly assign costs to activities that benefit only specialty crops. An example of this is when SCBGP funds are requested for salaries and wages of farmers' market managers and farmers' market advertising for markets that don't sell only specialty crops or have vendors that sell both specialty crops and non-specialty crops. These projects and the associated costs may have the potential to enhance the competitiveness of the farmers' market, but do not solely enhance specialty crops.

Q. What should applicants do if their project has the potential to benefit products that are not eligible specialty crops?

- A. The SCBGP requires applicants to describe the methods or processes the applicant will use to ensure all SCBGP funds will solely enhance the competitiveness of eligible specialty crops. In doing so, the methods or processes used must allow the applicant to easily and accurately assign costs specifically to activities that solely enhance the competitiveness of specialty crops. For example, if the applicant proposes to charge a portion of a farmers' market manager's salary to the SCBGP project, he/she must have internal controls in place to track the activities of the farmers' market manager. The applicant must require the participating farmers' market manager to submit monthly activity reports describing the activities performed and funded under the grant.

If the applicant proposes to provide promotional support to a farmers' market, he/she must demonstrate that the promotion is to promote eligible specialty crops rather than the farmers' market in general. For example, promotional materials should solely focus on the promotion of specialty crops. For example, say something like "Buy XYZ State Grown Sweet Corn at the XYZ

State Grown Farmers' Market, Open 10-2" but not "XYZ State Grown Farmers' Market, Open 10-2."

Q. What budget information is required in the Grant Proposal to ensure costs solely benefit specialty crops?

A. Applicants must provide a full break-down of costs associated with project activities at the time of proposal submission. This allows SCBGP to ensure that all costs are allowable, allocable, and reasonable.

Q. Are advertising and public relations costs to promote non-specialty crop venues allowable?

A. Costs associated with advertising or public relations to promote non-specialty crop venues, such as farmers' markets and local food events, **can be allowable if** the costs can be specifically identified and easily and accurately traced to activities that solely enhance the competitiveness of specialty crops. For example, promotional materials could advertise ABC State Grown fruits and vegetables, but not advertise using only the ABC State Grown logo and general ABC State Grown web address if the ABC State Grown program is not limited to only eligible specialty crops.

Q. Can applicants use SCBGP funds to purchase Electronic Benefit Transfer equipment?

A. Costs to provide wireless Electronic Benefit Transfer (EBT) equipment may be allowed if costs can be specifically identified and easily and accurately traced to activities that solely enhance the competitiveness of specialty crops. (e.g., EBT machines at farmers' markets that sell **only** specialty crops).

Q. Can applicants use grant funds to provide a match for the amount of federal nutrition benefits spent for non-specialty crops?

A. Costs for incentives to match the amount spent for non-specialty crops, regardless of whether the incentive itself can only be used for eligible specialty crops, are not allowed. Since the matching benefits may not double fruit and vegetable purchases or consumption, this does not solely enhance the competitiveness of specialty crops.

As an example:

- A SNAP beneficiary receives \$100 in SNAP benefits and typically uses them to purchase \$20 of fruit and vegetables, \$40 of meats and dairy, and \$40 of breads and grains. When a SNAP grantee redeems \$20 of their SNAP benefits at a farmers' market, the grantee receives an incentive that doubles their SNAP benefits to purchase \$20 of fruit and vegetables, regardless if they purchase fruits and vegetables. As a result, the SNAP grantee may decide to use \$50 of benefits on meats and dairy and \$50 on breads and cereals and use the \$20 incentive for fruit and vegetables. In such a case, this is a onetime sale or consumption of specialty crops based on the match with grant funds.

Q. Can applicants use SCBGP funds to provide a match for the amount of federal nutrition benefits spent for specialty crops?

- A. Costs for incentives to match the amount spent on specialty crops may be allowed if the project proposal clearly demonstrates there is a process and mechanism in place for each level of implementation to ensure that all funds solely enhance the competitiveness of specialty crops (e.g., the applicant organization has a contract in place with each project partner spelling out the eligible uses of the funding for activities that solely enhance the competitiveness of specialty crops and the eligible uses of funds are spelled out in the project proposal; each project partner at every level of the project is provided training on the eligible uses of the funds and provides details in the budget narrative of the project proposal and follow-up reports document how all grant funds will be expended to solely enhance the competitiveness of specialty crops; an independent third-party (such as the State department of agriculture) verifies that all costs are allowable, reasonable, and allocable by requiring and reviewing receipts of the applicant and its partners).

Q. How do applicants document project expenses?

- A. At a minimum, the costs of activities that solely benefit specialty crops must be readily distinguishable from other financial activities. If this is not done or it is impractical for the recipient to segregate these costs, then the costs are not allowable. When a grant recipient documents the actual expenditures of SCBGP funds, the documentation retained by the recipient must be sufficient to pass examination under Generally Accepted Government Auditing Standards. Documentation must be readily available for all expenses covered with SCBGP funds, including documentation for all costs associated with personnel, travel, equipment, supplies, etc., as well as any indirect costs. Source documentation includes, but is not limited to, cancelled checks, activity reports, paid bills, receipts, payrolls, contracts, subgrant award documents, etc.