

MSBO Annual Conference 2026

When Do You Need Pre-Approval
for Food Service Equipment and
Capital Outlay Purchases?

Presenters: Taneá Curtis
Brenda Sweatman
Michigan Department of Education
Office of Nutrition Services
Fiscal and Administrative Services

What This Presentation Covers

- When to request prior written approval from MDE
- Pre-Approved Food Service Equipment List
- How to submit an approval request
- Federal regulatory background
- Steps for compliant equipment purchases

Common Acronyms

- CNP- Child Nutrition Programs
- NSLP- National School Lunch Program
- SBP- School Breakfast Program
- NFSA- Non-profit Food Service Account
- CAPEX- Capital Expenditure
- EFB- Excess Fund Balance
- SNP- School Nutrition Programs
- SFA – School Food Authority
- MWRO – Midwest Regional Office



Why is Prior Approval Required?



- Federal requirements found in the Office of Management and Budget (OMB) guidance cited at Title 2, Code of Federal Regulations [2 CFR], Part 200 (Uniform Administrative Requirements, Cost Principles and Audit requirements for Federal Awards).
- Section 200.439 (Equipment and Other Capital Expenditures) requires the School Food Authority to obtain prior written approval from the Michigan Department of Education (MDE) prior to incurring the cost of a capital expenditure.

Equipment and Capital Outlay Purchases

What Is Considered Equipment?

Tangible Property - physical asset or item that you can touch, see, and move

Useful life greater than or equal to 1 year

Non-expendable personal property

Cost of \$10,000 or local threshold

Explained in MDE Memo #5 2021 When Do You Need Pre-Approval for Food Service Equipment Purchases?

Defined by OMB and USDA regulations

Capital Outlay

Also known as capital expenditure. Money spent to buy, maintain, or improve fixed assets that have a long-term use

Equipment/Capital Expenditures

Key Requirements

 Must comply with federal requirements

Costs must be necessary, reasonable, allocable

Follow all procurement regulations

 Prorate costs if equipment is shared

 Sale proceeds return to NFSA

Equipment/Capital Expenditures

When is Prior Approval Required?

When items are not on pre-approved list

When cost exceeds capitalization thresholds

When using federal CNP funds to purchase CapEx

When conducting any type of renovation projects

MDE's Pre-approved Food Service Equipment List



Equipment and Excess Fund
Balance (michigan.gov)

Pre-approved Food Service Equipment List

Equipment and Capital Outlay Requirements

This list contains most common food service equipment. Items listed do not require prior approval from MDE. Kitchen projects and/or cafeteria renovations always require prior written approval from MDE. Any other items not listed with a per unit cost of \$10,000 or more require prior written approval.

Note that if federal regulations and MDE policy are not followed the equipment, food service renovation project, and other capital expenditure items are considered unallowable. Without prior written approval the purchase amount must be restored to the Food Service Fund from the General Fund or a non-federal funding source. It is very important to follow the prior approval requirements to avoid financial implications.

Sponsors must follow all Federal, State, and local procurement regulations for food service equipment and capital outlay purchases, regardless of prior approval.

Carts/Cabinets

- Can Dispenser Rack
- Condiment Cart/Bar
- Dish Dolly/Caddy
- Heated Transport Cart
- Holding Cabinet
- Insulated Transport Cart
- Kiosk
- Proofing Cabinet
- Refrigerated Transport Cart
- Sheet Pan Rack/Speed Rack

Computer Hardware & Software

- Cash Registers
- Point-of-Sale (POS) Systems
- POS Hardware, Scanners, Keypads
- POS Software
- Computer Hardware
- Software/programs for management (i.e. inventory, nutritional analysis)
- Meal Eligibility Application Approval

Allowable and Unallowable Renovation Costs

These guidelines are subject to change; consult with MDE for the most accurate information

Project Type	Category
Renovations to existing serving lines, kitchens, or cafeterias	Requires prior approval from MDE
Cafeteria renovations (shared-use spaces)	May need to be shared
Repurposing existing space for Food Service or adding square footage within the existing footprint	MDE review and approval on a case-by-case basis
Expansions or additions to exterior walls or building footprint	Not allowable
Exterior walk-in coolers/freezers	Requires MDE prior approval
New construction of a new building	Not allowable
Extra costs incurred when purchasing equipment, even if on the pre-approved list	Requires prior approval

Equipment Request Process

The **Pre-Approved Food Service Equipment List** includes most ordinary food service equipment. Requests will now be only for unique items or large projects.

Automated Process- The [Equipment and Capital Outlay Request Form](#) is entered online directly in GEMS/MARS.

The step-by-step online process will guide Sponsors through the online form. When an approval is not required, the system will let users know.

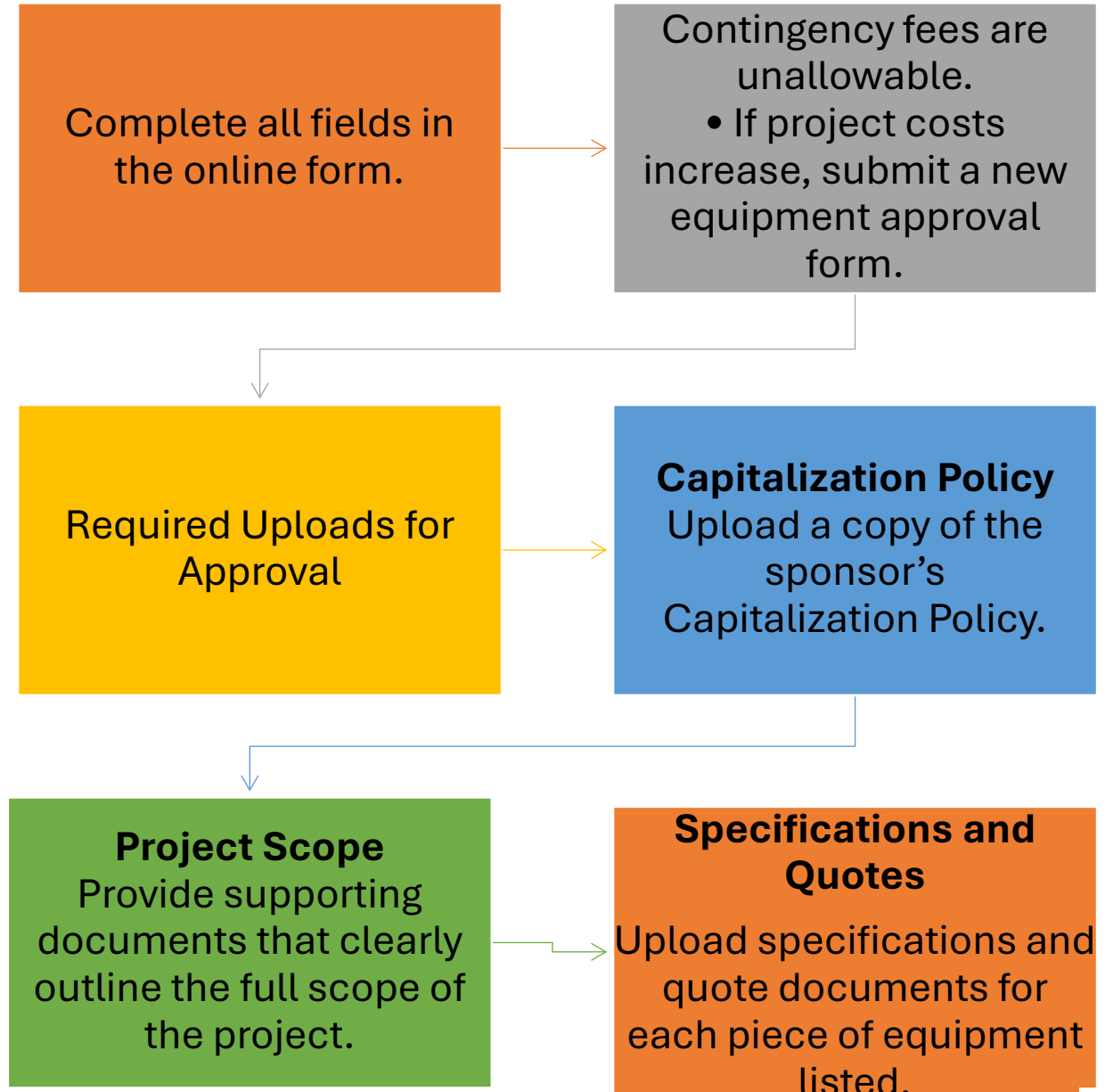
Submit equipment requests early so MDE can confirm whether the purchase is allowable.

Steps in the Equipment Request Process

Review	Review MDE Food Service Administrative Memo #5 SY2020-2021
Review	Review the Pre-Approved Food Service Equipment List
Initiate	Initiate the Procurement Process
Complete	Complete the Equipment and Capital Outlay Request Form using MDE's website link
Approval	Receive the official approval notice from MDE
Finalize	Finalize Procurement and Documentation



Request Form Walkthrough



Request Form Walkthrough Capitalization Policy

Defines when a purchase is treated as a capital asset

Sets the minimum dollar threshold for capitalization

Requires items to have a useful life of more than one year

Capitalized items are recorded as assets, not regular expenditures

Improves consistency in reporting large equipment purchases

Helps maintain compliance with state and federal accounting rules

May be included in the Purchasing Policy

Request Form Walkthrough

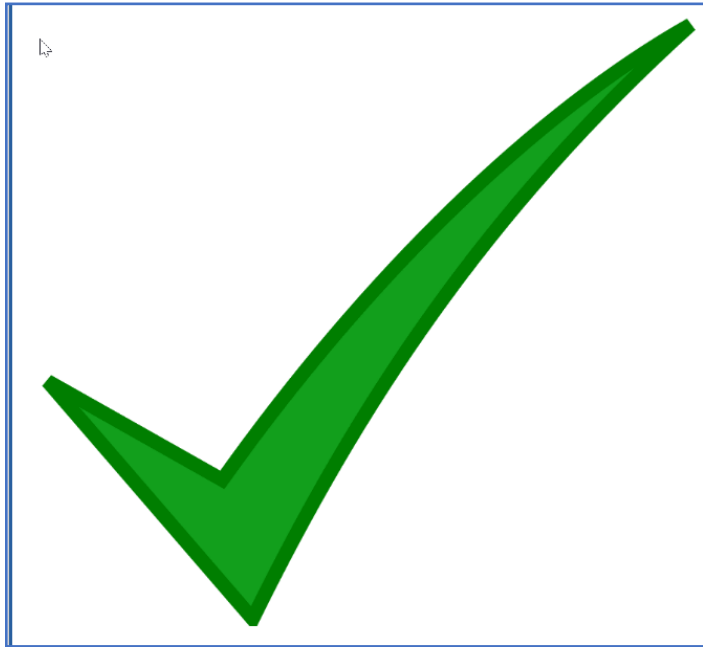
Providing the Scope of Work

- Describe the detailed scope of the renovation or project.
- Explain the purpose of the renovation.
- Indicate if there are structural changes like new walls, windows, doors, walls, or roof.
- Indicate if the demolition is in existing or new food service space.
- List the kitchen equipment and fixtures that will be installed or replaced.
- Scope can come from the sponsor or from documentation supplied by the contractor or vendor.

Request Form Walkthrough

Scope of Project (1 of 2)

Good Example: Kitchen Renovation



The **elementary** kitchen renovation is a complete **redesign/remodel** of the **entire kitchen**. The serving line will be altered to support a higher volume of students; in turn the **equipment and casework** will also be updated to support **the new layout**.



This move will **change a couple of walls from their current location to another** allowing for proper flow within the kitchen. The demolition and **new construction** will occur in **the same footprint as the existing kitchen** (we are not relocating the kitchen).



The **purpose** of the **remodel** is to enlarge the extremely small serving line, thus improving the functionality, **removing the old, outdated equipment and installing new equipment** will enhance the safety and flow of the kitchen. In addition, these modifications will remove the need for us to use mobile stations in our already crowded halls. **List of Kitchen Equipment is attached.**

Request Form Walkthrough

Scope of Project (2 of 2)

Bad Example: Kitchen Renovation



Update within existing
kitchens at three
elementary schools



The three kitchens will be
renovated, and
equipment will be
upgraded as needed

Request Form Walkthrough

Specifications and Quotes

Quotes/bids are required for all equipment and project requests

- Quote must match the amount listed on the approval form
- Verify the quote clearly identifies the project, equipment, model, total cost, and vendor

Additional specifications that may also be uploaded

- Specification sheets
- Diagrams / drawings and dimensions
- Architectural layouts / floor plans

Request Form Walkthrough



Requested Equipment/Project Summary



List the equipment or project, vendor, cost, quantity, and total expected cost.



Identify the funding source and number of quotes obtained.



Indicate the percentage amounts charged to CNP and to other programs.



Note whether it is an emergency purchase.

Requested Equipment/Project

Equipment/Project	Selected Vendor	Expected cost/Quote Unit Price	QTY	Total (Expected cost/Quote Unit Price X Quantity to be purchased)	Funding Source	No. Of Quotes Obtained	CNP %	CNP \$	Other Programs %	Other Programs Amount	Check if Emergency Purchase	Anticipated Purchase Date
Installation of Ge	Graha	\$74,271.	1	\$74,271.00	Foc ▾	4 ▾	10	\$7		\$0.00	No ▾	Spring 20

Total of All Items:

\$74,271.00

Total of CNP Amount:

\$74,271.00

Total of Other Programs Amount:

\$0.00

Accounting for Food Service Capital Expenditures

Code

Properly Code Capital Outlay Expenditure to the General Ledger

Show in

The expenditures will show in Capital Outlay on the FID School Meals Report

Code

Code as direct cost to the Food Service Fund

Follow

Follow the Michigan Public School Accounting Manual Appendix-Definitions for Accounting Codes.

Equipment Capital Outlay

Fund 25

Function 297

Object Code:
64XX Capital Outlay

Program

Grant Code
(applicable)

Facility/School

School Meals Report for 2024

Fiscal Year: 2024

Revenue		School Meals Beginning Fund Balance	\$ 3,779,356.06
Local (11x-15x, 17x-19x)	\$ 0.00	Total School Meals Revenue	\$ 9,113,756.32
Pupil/Students (161)	\$ 0.00	Total School Meals Cost w/o Capital Outlay	\$ 8,095,050.38
Patron/Adults (162)	\$ 13,387.91	Capital Outlay	\$ 377,783.68
Milk (163)	\$ 0.00	Prior Period Adjustment	\$ 0.00
Ala Carte (164)	\$ 674,737.66	School Meals Ending Fund Balance	\$ 4,420,278.32
Catering (165)	\$ 0.00	Allowable Fund Balance	\$ 2,698,350.13
Other (169)	\$ 4,161.73	Excess Fund Balance	\$ 1,721,928.19
Total Local (1xx)	\$ 692,287.30		
Intermediate Revenue (2xx)	\$ 0.00	Indirect Rate (Unrestricted)	11.80%
State (31x)	\$ 3,143,779.51	*Maximum Allowable Indirect	\$ 456,701.34
Federal (41x)	\$ 4,918,287.52	*N/A for Contracts exceeding \$50k Rule	
Commodity (481)	\$ 359,401.99		
Bonus Commodity (482)	\$ 0.00		
Another Public School (518)	\$ 0.00		
Other Finance Source (511-517,519-54x, 59x)	\$ 0.00	2023	2024
		Breakfast Meals Served	254,618 781,649
		Breakfast Cost per Meal	\$ 2.27 \$ 2.41
Fund Modifications (6xx)	\$ 0.00	Lunch Meals Served	922,601 1,245,119
Total School Meals Revenue	\$ 9,113,756.32	Lunch Cost per Meal	\$ 3.51 \$ 3.72

Expenditures	Breakfast	Lunch	All Other Programs*	Total
Grant Codes	264, 306, 311, 850	265, 310, 373, 851		
Salaries	\$ 537,219.50	\$ 1,321,000.21	\$ 450,414.08	\$ 2,308,633.79
Benefits	\$ 273,436.66	\$ 672,370.67	\$ 229,255.01	\$ 1,175,062.34
Purchased Services	\$ 73,530.55	\$ 180,808.69	\$ 61,649.38	\$ 315,988.62
Thru Another Public School	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Supplies and Other	\$ 16,443.89	\$ 40,434.85	\$ 13,786.87	\$ 70,665.61
Sub Total	\$ 900,630.60	\$ 2,214,614.42	\$ 755,105.34	\$ 3,870,350.36
Food Costs	\$ 890,034.09	\$ 2,188,424.77	\$ 746,241.16	\$ 3,824,700.02
Indirect Costs	\$ 93,080.00	\$ 228,880.00	\$ 78,040.00	\$ 400,000.00
Total Program Cost	\$ 1,883,744.69	\$ 4,631,919.19	\$ 1,579,386.50	\$ 8,095,050.38
Capital Outlay	\$ 87,910.26	\$ 216,167.82	\$ 73,705.60	\$ 377,783.68

Technical Notes

Object Codes: Salaries (1xxx), Benefits (2xxx), Purchased Services (3xxx, 4xxx), Thru Another Public School (82xx), Supplies and Others (55xx, 57xx, 59xx, 7xxx), Food Costs (56xx), Indirect Costs (99xx), **Capital Outlay (6xxx).**

*Grant Codes: "All Other Programs" include Adult, Ala Carte, Catering and all other Federal Child Nutrition Programs.

Error Notes:

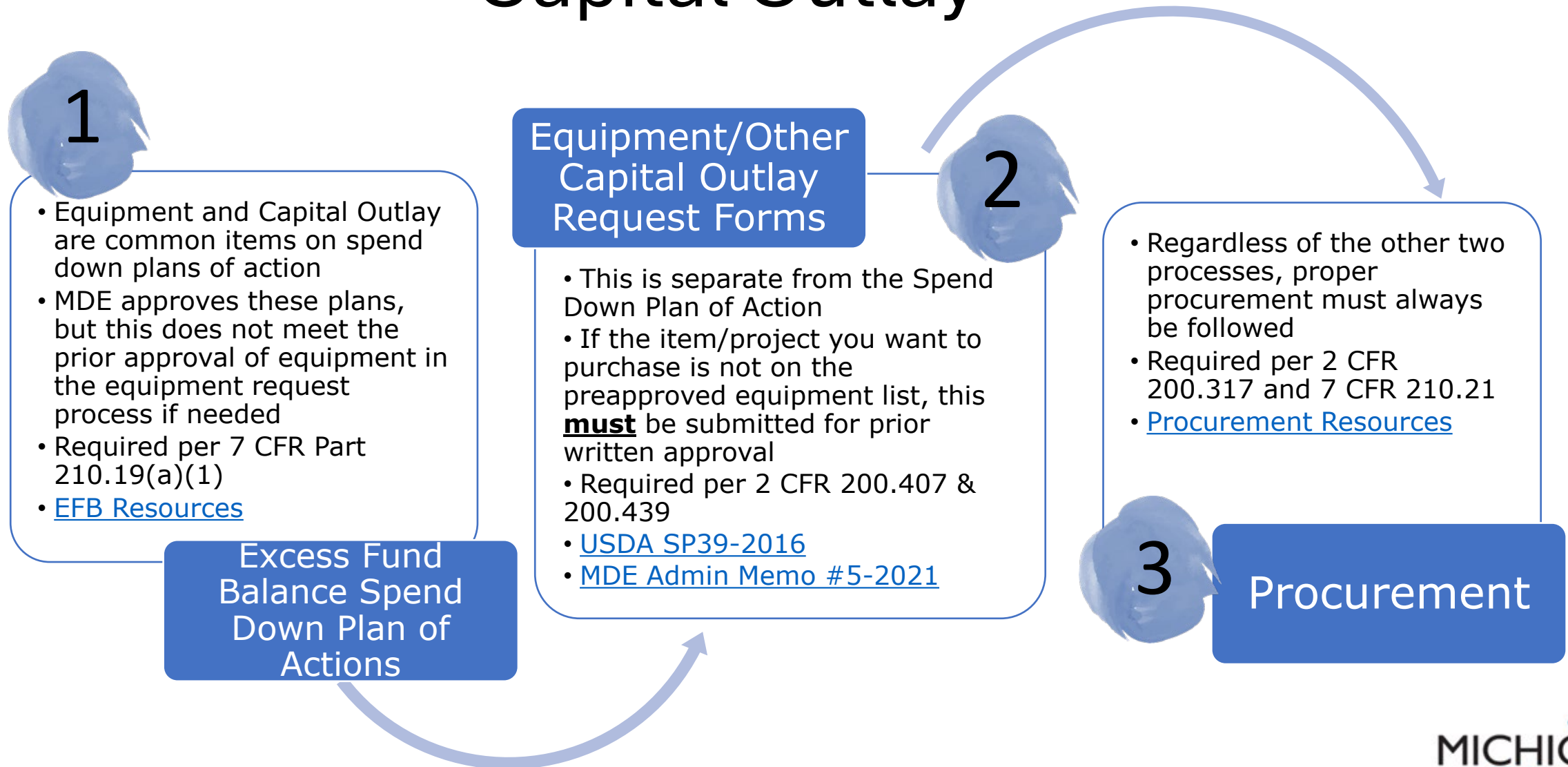
Cost Per Meal - Meals served require expenditures to be reported using Grant code 850x for the School Breakfast Program and/or Grant Code 851x for the National School Lunch Program.

Questions related to the School Meals Program Report may be directed to (517) 335-6617.

Accounting for Food Service Capital Expenditures

- Capital Outlay must be coded correctly to appear on the FID School Meals Report
- Impacts program cost allocation across Breakfast, Lunch, and Other Programs
- Incorrect coding can affect indirect cost calculations
- Misclassification may change the allowable fund balance and EFB
- Accurate coding is required for state and federal compliance

Three Processes for Equipment and Capital Outlay



School Nutrition Programs-

Flow of Funds: Roles and Responsibilities

All Sides
Have a Part
to Play

USDA - FNS

MWRO

MDE

School
Food
Authorities

Internal Control Procedures for Equipment/Capital Outlay Purchases

- Describe your process to ensure that the SFA seeks prior written approval as required for equipment and/or capital outlay purchases.
- Describe your process to comply with requirements that equipment and/or capital outlay purchases are an allowable use of Federal funds.
- Make it clear within your processes that all expenditures involved with renovations, construction, or other projects using Food Service Funds must have prior written approval using the Equipment and Capital Outlay Request Form within GEMS/MARS.
- Proper Procurement processes should be followed.
- Describe your process ensuring that the sale of equipment purchased with Food Service Funds are following the policies and that the Food Service Fund will receive all proceeds from the sale of the equipment.
- Include all positions involved in the processes (i.e., Food Service Director, Business Manager, etc.)

Financial Implications

Not getting required prior approval for equipment/capital outlay projects

- Unallowable Cost
- Entire Kitchen/Cafeteria Renovation could be unallowable to the tune of **\$1,000,000 or more!**
- Funds must be restored to the Food Service Fund from the General Fund
- See the guidance: [When do you Need Pre-Approval for Food Service Equipment/Capital Outlay Purchases?](#)

Equipment Resources

- When Do You Need Pre-Approval for Food Service Equipment Purchases
- Pre-approved Food Service Equipment List
- Equipment and Other Capital Expenditure Training
- Quick Guide: Equipment and Capital Outlay Approval Requirements
- Equipment and Excess Fund Balance

FAST: Prior Approval Requirements for Equipment and Capital Outlay

START COURSE

MICHIGAN Department of Education

Welcome to FAST: Prior Approval Requirements for Equipment and Capital Outlay!

Professional Standards Topic: 3300 Financial Management

Related Programs: Child Nutrition Programs

STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

GRETCHEN WHITMER
GOVERNOR

MICHAEL F. RICE, PH.D.
STATE SUPERINTENDENT

**FOOD SERVICE
ADMINISTRATIVE MEMO NO. 5**

TO: Child Nutrition Program (CNP) Sponsors participating in the National School Lunch Program (NSLP), School Breakfast Program (SBP) and Summer Food Service Program (SFS)

SUBJECT: When Do You Need Pre-Approval for Food Service Equipment Purchases?

DATE: February 3, 2021

- The Pre-Approved Food Service Equipment List that CNP Sponsors can purchase from without requesting prior approval
- Instructions for submitting an approval request for equipment not on the Pre-Approved Food Service Equipment List

Background
The United States Department of Agriculture (USDA), in accordance with federal regulations¹, requires CNP Sponsors to get prior written approval from the Michigan Department of Education (MDE) before purchasing a capital expenditure, such as food service equipment.

The objective for the required prior approval process is to provide reasonable assurance that the cost of the equipment is necessary for program purposes. The Sponsor's Non-profit Food Service Account (NFSA) must be able to cover the cost.

What is considered equipment?

MICHIGAN Department of Education Office of Nutrition Services

This institution is an equal opportunity provider.

Prior Written Approval Requirements for Equipment and Capital Outlay

WHEN?
When is it required to submit the request form for prior written approval?

1st
Check the Pre-Approved Equipment List
You can purchase food service equipment that's noted on the pre-approved list without requesting prior approval through the request form.
Sponsors must follow all Federal, State, and local procurement regulations for food service equipment and capital outlay purchases, regardless of prior approval.

Learn More:

- Fiscal & Administrative Services Webpage
- When do you Need Pre-Approval for Food Service Equipment Purchases?

Equipment Purchases
Any time you want to use Federal Child Nutrition Program funds for equipment and/or capital outlay items that are cost more than \$10,000 and are NOT on the pre-approved list.

Procurement Process
Obtain quotes or bids using the proper procurement method based on Michigan's small purchase threshold. Select the most responsive and responsible vendor with the lowest price. Use this price to complete the Equipment and Other Capital Expenditures Request.

Excess Fund Balance
When you're looking to use your Excess Fund Balance (EFB) towards equipment or capital outlay as part of your Spend Down Plan of Action (POA).
Note the Spend Down POA Approval does NOT count as equipment or capital outlay purchase approval.

Pre-approved Food Service Equipment List

Equipment and Capital Outlay Requirements
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<p>Carts/Cabinets</p> <ul style="list-style-type: none"> • Can Dispenser Rack • Condiment Cart/Bar • Dish Dolly/Caddy • Heated Transport Cart • Holding Cabinet • Insulated Transport Cart • Kiosk • Proofing Cabinet • Refrigerated Transport Cart • Sheet Pan Rack/Speed Rack • Storage Rack • Trash Cart • Tray Dispenser 	<p>Computer Hardware & Software</p> <ul style="list-style-type: none"> • Cash Registers • Point-of-Sale (POS) Systems • POS Hardware, Scanners, Keypads • POS Software • Computer Hardware • Software/programs for management (i.e. inventory, nutritional analysis) • Meal Eligibility Application Approval
<p>Cooking</p> <ul style="list-style-type: none"> • Air Fryer • Barbecue 	

Fiscal and Administrative Services Team

PHONE:

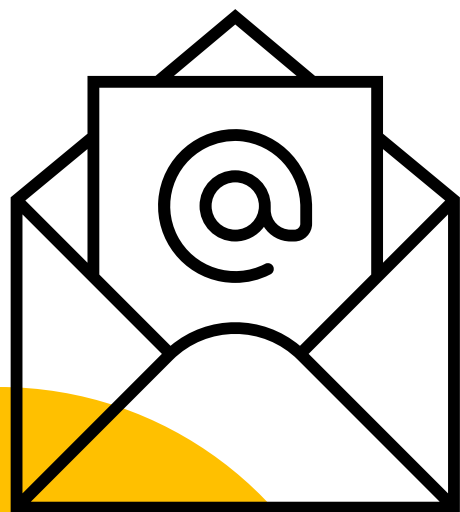
517-241-5380

E-MAIL:

MDE-FISCAL@MICHIGAN.GOV

WEBSITE:

WWW.MICHIGAN.GOV/MDE-FAST



Contact Us

Brenda Sweatman

SweatmanB@Michigan.gov

517-335-6617

Taneá Curtis

CurtisT9@Michigan.gov

517-241-5363
