



**United States
Department of
Agriculture**

Food and
Nutrition
Service

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DATE: April 28, 2011

MEMO CODE: SP 33-2011

SUBJECT: Child Nutrition Reauthorization 2010: Direct Certification
Performance Awards and Use of Funds

TO: Regional Directors
Special Nutrition Programs
All Regions

State Directors
Child Nutrition Programs
All States

The Healthy, Hunger-Free Kids Act of 2010 (the Act), Public Law 111-296, included several provisions designed to improve direct certification. The purpose of this memorandum is to implement provisions contained in Section 101 that instruct the Food and Nutrition Service (FNS) to offer performance awards to encourage States to ensure that all children who are members of households receiving assistance under the Supplemental Nutrition Assistance Program (SNAP) are directly certified. Direct certification is a critical tool to improve access, increase accuracy, and reduce paperwork in the school nutrition programs by simplifying the certification process.

Additional direct certification provisions of the Act were communicated in the following two memoranda and should be reviewed in combination with the information in this memorandum:

- SP 13-2011, Child Nutrition Reauthorization 2010: Letter Method for Direct Certification, dated January 14, 2011; and
- SP 32-2011, Child Nutrition Reauthorization 2010: Direct Certification Benchmarks and Continuous Improvement Plans, dated April 28, 2011.

Also, implementation procedures for the new statutory provisions are aligned with the following new regulations and related memorandum, as referenced in this memorandum:

- Federal regulations at 7 CFR 245.2 and 245.6 concerning direct certification of children in households receiving Supplemental Nutrition Assistance Program (SNAP) benefits (published in Federal Register Vol. 76, No. 79 on April 25, 2011, titled Direct Certification and Certification of Homeless, Migrant and Runaway Children for Free School Meals); and
- SP 31-2011, Frequency of Direct Certification Matching Activities Beginning in School Year 2011-2012, dated April 27, 2011.

STATUTORY AND REGULATORY BACKGROUND

Section 101(a) of the Act amended section 9(b)(4) of the Richard B. Russell National School Lunch Act (42 U.S.C. 1758(b)(4)) to specify that the performance awards are for three school years only: School Year (SY) 2011-2012, SY 2012-2013, and SY 2013-2014. In making the awards to States, FNS is to consider State data, including estimates in the annual *Report to Congress: Direct Certification in the National School Lunch Program: State Implementation Progress* (Report to Congress). FNS may award up to 15 States that show either “outstanding performance” or “substantial improvement” in the number of school-age SNAP participants certified for free school meals. For each of the three school years this provision covers, bonuses totaling \$2 million will be awarded for outstanding performance and bonuses totaling \$2 million will be awarded for substantial improvement. State agencies (SAs) that receive a performance award must treat the funds as program income, and may transfer all or a portion of the funds to school food authorities (SFAs) for use in carrying out the program. While this provision focuses on direct certification of children in households receiving SNAP, FNS encourages States to improve direct certification of other eligible children as well, including those in households receiving Temporary Assistance for Needy Families cash assistance or benefits through the Food Distribution Program on Indian Reservations, as well as homeless, runaway, migrant, and foster children.

Section 101(c) of the Act also amended section 9(4)(b) to clarify that direct certification with SNAP must be conducted “without further application,” meaning that no action is required by the household of the child. (Please refer to Memorandum SP 13-2011, Child Nutrition Reauthorization 2010: Letter Method for Direct Certification, dated January 14, 2011.) This effectively removes the “letter method” as a form of direct certification with SNAP. In addition, new Federal regulations at 7 CFR 245.6(b) published April 25, 2011 and related Memorandum SP 31-2011 (Frequency of Direct Certification Matching Activities Beginning in School Year 2011-2012, dated April 27, 2011), require that SAs administering the National School Lunch Program (NSLP) and the School Breakfast Program (SBP) conduct direct certification with SNAP at least three times each school year beginning SY 2011-2012 (unless phased in as described in SP 31-2011). Further, direct certification with SNAP is to be conducted using only data matching techniques, to be phased in by SY 2012-2013. These requirements affect the implementation of the performance award provisions and are referenced in the following sections for Outstanding Performance Awards and Substantial Improvement Awards. For a full discussion on the impact of these provisions on direct certification rate data and implementation guidance for States to transition to full compliance, please refer to Memorandum SP 32-2011, Child Nutrition Reauthorization 2010: Direct Certification Benchmarks and Continuous Improvement Plans, dated April 28, 2011.

FNS reserves the right to award fewer than 15 total bonuses in a given year, based on State performance for that year. Also, the number of awards in each category may change from year to year based on fluctuations in the patterns of State performance; however, no individual State will receive both an Outstanding Performance Award and a Substantial Improvement Award in the same year. According to the Act, the determination by FNS of whether, and in what amount, to make a performance award will not be subject to judicial review.

In the spring of 2012, 2013 and 2014, FNS will issue further guidance to remind States of these award opportunities and give more specific information about the award process for the given year.

OUTSTANDING PERFORMANCE AWARDS

Outstanding Performance Awards totaling \$2 million will be awarded for each of three years (SY 2011-2012, SY 2012-2013, and SY 2013-2014) to select States, drawn from the pool of States that meet each of the following three criteria:

1. The State is among the group with the highest direct certification rates for children in households receiving SNAP benefits, as published in the annual Report to Congress for the given school year. (Note: FNS plans to complete the data calculations that will go into the annual report approximately August of each year, in time to announce performance awards in September.)
2. The State's direct certification rate is at or above the performance benchmark specified in 9(b)(4) of the Richard B. Russell National School Lunch Act (42 U.S.C. 1758(b)(4)) for the given school year (80% for SY 2011-2012, 90% for SY 2012-2013, and 95% for SY 2013-14).
3. The State has phased out the "letter method" as a form of direct certification and has transitioned to data matching techniques to meet the direct certification with SNAP requirements. States that are being considered for awards in this category will be contacted and given instructions for providing information to document this accomplishment.

For information on the letter method and data matching requirements, please refer to the section titled "Statutory and Regulatory Background" in this memorandum; also refer to Memoranda SP 32-2011 (Child Nutrition Reauthorization 2010: Direct Certification Benchmarks and Continuous Improvement Plans, dated April 28, 2011) and SP 13-2011 (Child Nutrition Reauthorization 2010: Letter Method for Direct Certification, dated January 14, 2011).

The first Outstanding Performance Awards will be presented in September 2012, based on performance in SY 2011-2012; again in September 2013, based on performance in SY 2012-2013; and lastly in September 2014, based on performance in SY 2013-2014. A total of \$2 million will be awarded in this category for each of the three years. The number and dollar amount of Outstanding Performance Awards may vary from year to year.

SUBSTANTIAL IMPROVEMENT AWARDS

Substantial Improvement Awards totaling \$2 million will be awarded for each of the three years (SY 2011-2012, SY 2012-2013, and SY 2013-2014) to select States, drawn from the pool of States that meet each of the following criteria:

1. The State has expressed interest in being considered for a Substantial Improvement Award, as indicated in a simple “letter of intent to compete” that it provides to FNS by the last day of the given school year (June 30, 2012; June 30, 2013; or June 30, 2014). Specific instructions for submitting letters of intent will be issued in the spring of each award year.
2. The State has shown improvement in its direct certification rates, as evidenced by either:
 - a. an increase in its direct certification rates with SNAP as shown in the data that will be published in the annual Report to Congress for the given school year (available approximately in August each year), as compared to the prior school year; or
 - b. an increase in its direct certification rates as evidenced by reliable data the State maintains that clearly shows the percentage of school-age children in SNAP households who were directly certified for free school meals in both the given school year and in the preceding school year. Ample justification for using this data over (or in addition to) the Report to Congress data must accompany the letter of intent to compete outlined above in criterion #1 of this section.
3. The State has made significant progress in phasing out the “letter method” as a form of direct certification, transitioning to data matching techniques, and increasing frequency of matches to at least three per school year. The State must document its progress in the letter of intent to compete that it submits by the last day of the school year.

For information on the letter method and data matching requirements, please refer to the section titled “Statutory and Regulatory Background” in this memorandum; also refer to Memoranda SP 32-2011 (Child Nutrition Reauthorization 2010: Direct Certification Benchmarks and Continuous Improvement Plans, dated April 28, 2011) and SP 13-2011 (Child Nutrition Reauthorization 2010: Letter Method for Direct Certification, dated January 14, 2011).

4. OPTIONAL - The State has the option of submitting supplemental information with the letter of intent to compete, telling why the State deserves this award. Such supplemental information could include details about accomplishments, such as:
 - a. how the State believes it was able to increase its direct certification rates from the previous school year through implementation of specific improvement measures. Examples may include, but are not limited to:
 - implementing or enhancing probabilistic matching (identifying matches that are not exact and weighting the probability that they represent the same person based on common elements/characteristics in the data) ;
 - adding data elements, algorithms, or Soundex capability (capturing names that appear to sound alike, but may be spelled differently) to the matching process;
 - taking steps to ensure that SNAP data is directed to the proper entities;
 - changing the data-matching process to identify all children in a household (in the SNAP data and/or the student data) if any child in the household matches;
 - adding online lookup capability;

- centralizing automated data-matching processes;
 - providing additional training at the LEA-level on direct certification procedures;
 - conducting additional administrative reviews focusing on error prone LEAs that have the lowest match rates;
 - instituting online application systems that look for a SNAP match automatically at the start of an application process, interrupt it immediately should a match be found and directly certify the child for free meals on the spot;
 - determining a way to ensure that charter and private schools have some way to be part of the automated matching process;
 - increasing the frequency of matching with SNAP data;
 - enhancing State-level accountability systems to monitor for direct certification activities at the LEA level; and
 - conducting frequent performance assessments to identify areas for improvement;
- b. what challenges/obstacles the State had to overcome to reach this goal;
 - c. what efficiencies were obtained that school year, including reduction of burden at different levels; and/or
 - d. whatever else the State would like to include that would give FNS a clearer picture of the State's efforts for the given school year.

The first Substantial Improvement Awards will be presented in September 2012, based on performance in SY 2011-2012 compared to performance in SY 2010-2011; then in September 2013, based on performance in SY 2012-2013 compared to performance in SY 2011-2012; and lastly in September 2014, based on performance in SY 2013-2014 compared to performance in SY 2012-2013. The number and dollar amounts of Substantial Improvement Awards may vary from year to year, but the total amount awarded for a given year will be \$2 million.

USE OF FUNDS

A State agency that receives either an Outstanding Performance Award or a Substantial Improvement Award may transfer all of the funds, or any portion of the funds, it receives to school food authorities (SFAs) for use in carrying out the program. All funds received or transferred from these awards must be treated as program income and used for program purposes.

Funds may be used only for purposes directly benefitting the program. The funds are subject to the Federal regulations regarding allowable costs. See OMB Circular A-87 (2 CFR Part 225), http://www.whitehouse.gov/sites/default/files/omb/fedreg/2005/083105_a87.pdf, for guidance on allowable and unallowable costs for use of program funds.

Regional Directors

State Directors

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See OMB Circular A-122 (2 CFR Part 230),

http://www.whitehouse.gov/sites/default/files/omb/assets/omb/fedreg/2005/083105_a122.pdf, for guidance on allowable and unallowable costs for use of program funds in private schools.

Performance award funds received under this provision that are used at the State level could be used for any purpose that would otherwise be an allowable charge to the State Administrative Expense (SAE) account, and funds used at the SFA level could be used for any purpose that would otherwise be an allowable charge to the non-profit food service account.

INFORMATION

SAs should direct questions concerning this guidance to the appropriate FNS Regional Office. Regional Offices with questions should contact the Child Nutrition Division.

Original Signed

Cynthia Long

Director

Child Nutrition Division