## Purpose

REPLACE CACFP DCH Policy Alert 2011-02, Administrative Payments to Day Care Home Sponsors

REPLACE CACFP CCC Handbook Items:
- 2223, Preparing a Budget
- 4352, Administrative Costs

## Background

The Healthy, Hunger-Free Kids Act of 2010 (the Act), Public Law 111-296, signed into law on December 13, 2010 allows sponsors of day care homes to “carry over” up to 10 percent of unused administrative payments from one program year into the next. This change is retroactive to October 1, 2010.

## Implementation

October 1, 2010

## Procedure

Replace Item 2223 as follows:

The limits of a reasonable budget are based on the size of the program, the duties of personnel, and the economic conditions in the community.

Budgets must include reasonable and allocable estimated annual expenses for:

- Salaries;
- Employee benefits;
- Training;
- Travel;
- Occupancy;
- Contracted services; and
- Other administrative expenses, for example, postage, printing, office supplies.

continued

This Policy Remains in Effect Until Further Notice
Procedure continued

Carry over from previous program year (PY)

Budgets must also account for the amount of administrative payments carried over from one program year to the next, if applicable. A contracting entity (CE) may carry over a maximum of 10 percent of administrative payments into the next program year. CEs are not required to carry over administrative funds and can enter zero in the “Carry Over from Previous PY” field on the budget document.

When preparing an annual budget, make the best estimate of the carry over amount expected at the end of the year. Since total administrative claims paid in the previous year are used to determine the carryover amount, this process would be applicable to existing CEs as all claims may not have been prepared prior to submitting their annual budget, this process would be applicable.

Example:
CE Estimates:
PY 2012
- “Total Anticipated Annual CACFP Reimbursement” (homes times rate administrative reimbursement) $100,000
- “Total Administrative Costs” $85,000
- CE may carry over up to $10,000 in PY 2013 ($100,000 x .10)
- CE must return $5,000 to TDA ($15,000 – 10,000)

An amended budget must be submitted once the program year close-out has occurred and the carry over amount is finalized and approved by TDA. See Item 4352, Administrative Costs, for more information on program year close-out.

Estimated Residual for Next PY

Your budget will also account for estimated residual administrative reimbursement for the following program year. Based on your estimated administrative reimbursement and estimated costs you will determine how much, if any, residual administrative reimbursement may be left over at the end of the program year. This amount will be placed in the “Estimated Residual for Next PY” column on the budget. When completing the budget for the following program year, you may take up to 10 percent of this amount and place it in the “Carry Over from Previous PY” field in the budget, following the guidance above.
When you submit your application, you must base your CACFP budget on the number of day care home sites you anticipate sponsoring for that program year.

Budgets will be reviewed to ensure:

- The anticipated number of day care home sites is reasonable.
- The program will not operate at a deficit.
- Individual line items in the budget are:
  - Approved uses of CACFP funds.
  - Reasonable.
  - Properly allocated
  - Necessary.

If the budget analysis identifies insufficient funds to manage the program or excessive or unnecessary costs, a revised budget or additional information will be requested. Applications will not be approve unless the annual budget meets all requirements.

Replace Item 3222 as follows:

You will receive administrative payments as reimbursement for the allowable expenses that you incur while sponsoring the CACFP activities of your day care home sites. You must report all administrative expenses on the claim submitted each month. You must report expenses, for example, payroll taxes, when they accrue rather than when they are paid.

Your administrative payments will be based on the standard monthly rate per eligible day care home (provided annually by USDA) multiplied by the number of eligible day care home sites you sponsored for the claim month.

When determining the number of eligible day care home sites operating for a claim month, you must not include any providers who did not submit a claim or did not serve any reimbursable meal/meals for the claim month, even though you may have incurred administrative costs for that day care home site in that month.

NOTE: You cannot use a provider's meal reimbursement to pay your administrative expenses.
Procedure  
continued

Replace Item 4352 as follows:

Administrative costs are limited to the organization’s allowable expenses for planning, organizing, and managing the nonprofit food service, e.g., salaries, wages, and fringe benefits for staff that approve eligibility forms, provide training, and monitor facilities. We must approve your administrative costs as part of your annual budget and whenever budget amendments are submitted. A maximum of 10 percent of administrative payments not expended during one program year can be carried over to the next program year, and can either be included in the next program year’s budget or returned to the State agency.

Carry-over of administrative payments from one program year to the next must be approved by TDA. Based on the total administrative costs you report on your monthly claims for reimbursement and on the total administrative payments you receive in a program year, TDA will send you a close-out letter documenting the amount of administrative reimbursement remaining, the total that can be carried over (if applicable) and total that must be returned to TDA (if applicable). You will use this information to amend the carry over amount in your current budget. The close-out letter will be sent around December 1st of each program year, to ensure that all claims for reimbursement for the previous program year have been received and processed.

Example:

- Administrative payments for PY 2012 is $125,000
- Administrative costs for PY 2012 is $100,000
- CE may carry over up to $12,500 into PY 2013 ($125,000 x .10)
- CE must return $12,500 to TDA ($25,000 - $12,500), difference between administrative payments, administrative costs and maximum carry over
- Your current PY 2012 budget shows a carryover into PY 2013 of $25,000. An amended budget is required as the maximum you may carryover into PY 2013 is $12,500.

Any funds not spent during the next program year from the carry over amount must be returned to TDA.

Note: CEs are not required to carry over administrative funds. Any unexpended funds remaining at the end of the program year, which could be carried over into the next program year, may be returned to TDA at the CE’s option.

Contact

If you have any questions please contact your Community Operations office.