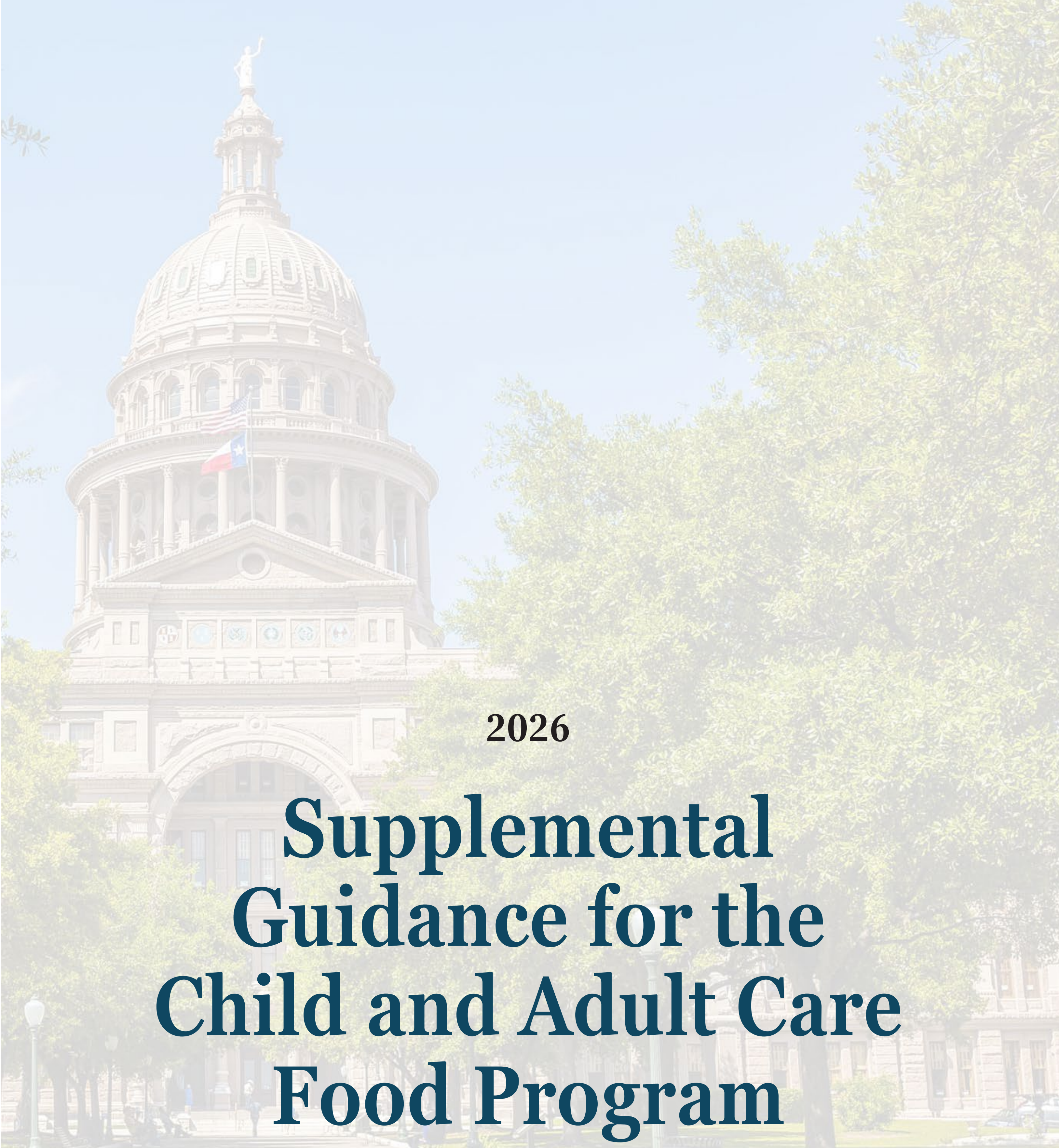

2026

Supplemental Guidance for the Child and Adult Care Food Program

TEXAS DEPARTMENT OF AGRICULTURE
COMMISSIONER SID MILLER
Fraud Hotline: 1-866-5-FRAUD-4 or 1-866-537-2834 | P.O. Box 12847 | Austin, TX 78711
Toll Free: (877) TEX-MEAL | For the hearing impaired: (800) 735-2989 (TTY)

Food and Nutrition Division
Child and Adult Care Food Program

This product was funded by USDA.
This institution is an equal opportunity provider.

Updated 7/24/2026
www.SquareMeals.org

Table of Contents

Introduction

This document acts as a placeholder for policy guidance communicated in between annual releases of the Child and Adult Care Food Program (CACFP) Handbook. This document will be updated as needed, but no more frequently than monthly. The most recent topics added will appear closest to the beginning of the document.

Until the CACFP Handbook is updated, the guidance in this document will apply as if it were stated in the Handbook. All supplementary guidance will be incorporated into the next Handbook release, at which time it will be removed from this Supplementary Policy document.

Supplementary guidance falls into one or more of three categories:

- **New:** Brand-new guidance.
- **Clarifying:** Expanding on existing handbook guidance.
- **Superseding:** Overrides existing handbook guidance if there are off-cycle corrections required for current CACFP Handbook guidance.

Each topic includes the date it was published in this document, implementation instructions, and effective dates, as applicable.

Organizations in the Serious Deficiency Process at Time of Renewal

Date published: July 24, 2026
Category: NEW/SUPERSEDING

In alignment with federal regulations at 7 CFR 226.6(c)(2)(i) and 7 CFR 226.6(c)(2)(ii)(B), Section 2410 of the CACFP Handbook currently states that TDA will deny any renewal application if an organization is currently in the Serious Deficiency process at the time of renewal submission. The section outlines the policy for temporarily extending a denied operator's Program activities into the next Program Year if the Serious Deficiency (SD) process is still ongoing at the time of application renewal.

Finally, the current version of Section 2410 states that if corrective action was successfully implemented at the end of the Serious Deficiency process, the organization will have the opportunity to reapply **as a new CE**. After considering IT system capabilities and evaluating ways to reduce administrative burden, TDA will allow CEs in this circumstance to resubmit an application **as a renewing CE**, eliminating the need to complete a new application, sign a new Permanent Agreement, and operate under a new CE Identification number.

However, per 7 CFR 226.6(b)(2), “each State agency must establish annual information submission procedures to confirm **the continued eligibility of renewing institutions.**” Further, 7 CFR 226.6(b)(2)(iii) lists application elements that “**must be submitted**, certified or updated annually,” which include proof that the CE is complying with performance standards (7 CFR 226.6(b)(2)(iii)(H)). While CEs in good standing are permitted to certify continued adherence to performance standards, TDA will require CEs that were denied during renewal due to failure to meet performance standards to submit additional information when resubmitting their applications for renewal after a deferred serious deficiency.

The following procedures, policy, and guidance supersedes the content in Section 2410, and will be incorporated into the handbook in the next release:

> In accordance with Section 8000, TDA will deny any renewal application if an organization is currently seriously deficient and thus not in compliance with the Performance Standards. However, if a CE is in the middle of the Serious Deficiency (SD) process (see Section 10000, Serious Deficiency) at the time that a Program Year rolls over into the next year, TDA will extend the Permanent Agreement to allow the CE to submit valid claims until the SD process is complete.
>
> **This temporary extension is not considered a renewal.** TDA will issue a Notice of Denial and an explanation that the application’s approval in the system is a temporary measure to allow the CE to continue to submit valid claims until either the CE is terminated or disqualified, or the SD is deferred, in which case the extension will provide an extra 90 calendar days beyond the deferral date to allow time for the CE to resubmit its renewal application. During this temporary extension, TDA will not approve any expansion of the number of sites or the scope of service. At the conclusion of the SD process, for CEs that are terminated and disqualified, TDA will terminate any Agreements that had been temporarily extended.
>
> If corrective action was successfully implemented at the end of the SD process and the SD is deferred, the organization will have up to 90 calendar days to resubmit its renewal application according to the following process:
>
> 1. The organization must complete a new Financial Viability Review (FVR) in accordance with Section 2221.1, Financial Viability and Financial Management. However, this process may be completed prior to the conclusion of the serious deficiency process. At the time of initial renewal denial, TDA will provide the CE

a link to the FVR form in its Notice of Denial so that the renewal process will not be delayed if the SD is deferred.

2. If the FVR is complete and the SD is deferred, TDA will send a notice to the organization that the FVR has been approved, along with any required instructions for updating their application based on the results of the review.

   If the renewing CE does not meet the financial viability Performance Standard, TDA will issue a second Notice of Denial along with appeal rights.

3. After the FVR is approved, the CE will be afforded the opportunity to make any changes to the application as required by TDA to continue the review. Note that CEs must not request any increases in sites or scope of services at existing sites until after the VPA occurs, and any expansion must submit documentation demonstrating the organization's capability to operate an expanded Program.

4. Once TDA approves the information in the resubmitted application, a Visit Prior to Approval (VPA) will be scheduled. If TDA determines that the CE does not meet Performance Standards as part of the VPA, TDA will issue a second Notice of Denial along with appeal rights.

5. If the VPA is successful, TDA will approve the renewal application and send a Notice of Renewal Approval to the organization.

TDA will deny the renewal if not completed within 90 days from the SD deferral date. During the 90 days, the FVR and VPA must both be reviewed and approved. The standard FVR process can take up to 45 to 60 days to complete for many applicants. Therefore, TDA recommends that CEs intending to resubmit their renewal applications after a deferred SD:

- Submit their FVR form as soon as possible after the initial renewal application denial, even if still implementing corrective action for the SD(s).

- Submit completed and correct information in the renewal application as soon as possible after receiving the notice of FVR approval.

Implementation Instructions and Effective Date

This guidance supersedes and supplements guidance currently located in Section 2410 of the CACFP Handbook. It is effective for contracting organizations renewing for Program Year 2027.

At-Risk Program Terminology Clarifications

Date published: July 24, 2026
Category: CLARIFYING/SUPERSEDING

Distinction between Enrichment Program and Enrichment Activity
Current handbook guidance, most notably in Section 4522.9, *Enrichment Program Review (At-risk Programs Only)*, and the Form H1606-AT, *At-Risk Aftercare School Program Site Review Form*, uses the terms “enrichment activity” and “enrichment program” interchangeably. TDA is issuing guidance clarifying that the **overall enrichment program**, which encompasses both the meal service and the enrichment activities, must have a defined start and end time, not necessarily the individual activities occurring at the site. While the meal service(s) must also have a documented start and end time, the meal service can occur concurrently with enrichment activities, or immediately before or after an enrichment activity. For example, if the enrichment activity is a swimming camp, meals may be served after the children complete the scheduled swimming activities. When reviewing a site, sponsors must document the beginning and end times **of the overall program** and ensure that participants have access to both the meal service and the enrichment activities.

Clarification of “Separate and Distinct” at Locations Operating Traditional CACFP and an At-Risk Program
Section 2543.1, *At-Risk at Traditional Child Care Centers*, of the handbook states that operators administering a CACFP child care center and At-risk site at the same location must ensure that both programs are “separate and distinct” from one another. TDA is issuing clarifying guidance that while the operation of an At-risk program at a child care center does not require the use of a completely separate building or physical space, the Program must be clearly identifiable in its activities, structure, daily attendance, and documentation.

Implementation Instructions and Effective Date

Both pieces of clarifying guidance above are effective immediately and will be included in the next release of the CACFP Handbook. Additionally, Form H1606-AT will better distinguish between “enrichment activity” and the overall enrichment program in the next release. In the meantime, sponsors should document the beginning and end times of the overall program on the H1606-AT.

Exemptions for Specific Infant Formulas

Date published: July 24, 2026

Category: Clarifying

Sections 4421.3, *Breast Milk and Iron-Fortified Formulas*, and 4432.1, *Written Medical Statement*, of the CACFP Handbook discuss how infant formulas on the FDA Exempt list are not creditable unless an infant has a disability supported by a written medical statement signed by a state-licensed healthcare professional or registered dietitian.

TDA is providing additional clarification as follows:

- FDA defines an exempt formula as an infant formula labeled for use by infants who have inborn errors of metabolism or low birth weight, or who otherwise have unusual medical or dietary problems.
- The most current list of FDA Exempt formulas can be found on the FDA website at this location: *https://www.fda.gov/food/infant-formula-guidance-documents-regulatory-information/exempt-infant-formulas-marketed-united-states-manufacturer-and-category*

Implementation Instructions and Effective Date

This clarifying guidance is effective immediately and will be added to the next release of the CACFP Handbook.

Documenting Leftover Milk

Date published: July 24, 2026
Category: CLARIFYING

TDA is adding additional clarification to Section 4462, *Leftover/Recycle*, of the CACFP Handbook regarding documentation of leftover food. Sites must document daily all leftover/recycled food intended for service, including any leftover milk remaining in a bulk container used during service (for example, any milk remaining in an opened 1-gallon container after service).

Implementation Instructions and Effective Date

This guidance clarifies existing guidance pertaining to documenting leftover food and is therefore effective immediately; note that technical assistance will be issued in most instances unless large or unusual variances are detected.

Excess Net Cash Resource Calculation Clarification

Date published: July 24, 2026
Category: CLARIFYING

Section 7330, *Excess Funds (Unused Reimbursement)*, states that TDA allows independent centers, sites, and any organization that does not pass reimbursement to their sponsored sites to maintain, at any time, a maximum of three months' average expenditures in their nonprofit food service account. TDA is issuing clarifying guidance showing the calculation of this 3-month maximum as follows:

[Total annual expenditures / 12 months] x 3 = Maximum 3-months' average expenditures

Implementation Instructions and Effective Date

This updated guidance provides clarifying guidance on existing requirements for calculating an excess net cash balance and is therefore effective immediately. This guidance will be included in the next version of the CACFP Handbook and applicable onsite review form instructions.

Meal Observation Exception at Day Care Home Providers

Date published: July 24, 2026
Category: CLARIFYING

Section 4521, *Meal Observations*, of the CACFP Handbook currently provides guidance that sponsors monitoring a food service at child care and adult day care centers are exempt from remaining for the entire meal service if the monitor has observed that all enrolled participants were offered a meal, or the site confirmed enrolled participants not in attendance are not expected at the center during the meal service being reviewed.

While this exception also applies to meal observations carried out by sponsors of day care home providers, the guidance as currently written implies that day care home sponsor monitors are not granted the same exception. The next release of the handbook will explicitly include day care home sponsors as being eligible to leave before the end of a meal service under the circumstances described above.

Implementation Instructions and Effective Date

This updated guidance adds flexibility that has always been in place per previous handbook guidance but was erroneously omitted from the newest version of the handbook in the most recent release. Therefore, it is effective immediately.

5-Day Reconciliation Attendance Data

Date published: July 24, 2026
Category: CLARIFYING

Section 4522.6, *Five-Day Reconciliation Process*, of the CACFP Handbook requires sponsor monitors to compare a 5-day average attendance to the number of participants observed at the meal service on the day of the visit. If observed participation is less than 80% of the 5-day average attendance, monitors must request additional information, identify the source of discrepancy, and determine necessary corrective/adverse action, if applicable.

TDA is issuing clarifying guidance that the 5-day reconciliation must use attendance data **for the specific meal service** that corresponds to the meal service being observed. Sponsors should not use attendance captured for an entire day given that participants may routinely leave before or arrive after a specific meal service. For example, if the monitor is observing a lunch service onsite, the 5-day reconciliation data used for comparison should reflect only those participants who received lunch on the five days chosen.

Implementation Instructions and Effective Date

This is clarification to existing guidance and is therefore effective immediately. This guidance will be included in the next version of the CACFP Handbook and applicable onsite review form instructions.

Additional Clarification for Financial Reviews of Unaffiliated Sites

Date published: July 24, 2026
Category: CLARIFYING

Section 4522.8, *Nonprofit Food Service (Centers Only)*, and the onsite review form prototypes for sponsors of child care centers, adult day care centers, and At-risk sites provide guidance on how sponsors should conduct financial reviews of their sites. TDA is issuing the following additional clarifying guidance that will be incorporated into the next release of the CACFP Handbook.

Financial Data Not Yet Available for New Sites

If a sponsor is reviewing a new site in the first months of operation before any claims have been submitted, a full review of a site's non-profit food service account will not be possible. However, if conducting an early review, sponsors should still review all expenses the site plans to claim to ensure their allowability, compare allowable expenses to the estimated reimbursement to proactively determine if the reimbursement will exceed expenses, and determine if site staff is understanding of the financial management requirements. An early review can be used to identify potential future non-compliances and issue the technical assistance required to avoid future findings.

Timing of Financial Reviews at the Site Level

Per existing guidance in Section 4522.8, *Nonprofit Food Service (Centers Only)*, sponsors are required to conduct a financial review of each site at least three times during the Program Year. Current guidance notes that sponsors may request financial records ahead of the onsite review and review those documents remotely ahead of the review. TDA is issuing additional guidance clarifying that sponsors conducting an unannounced review may also request documentation at the time of the unannounced review, and this documentation can be reviewed remotely **after** the onsite portion of the review.

Note that during an Administrative Review, it is possible that TDA may review a site's records for a month that the sponsor didn't review. As long as the sponsor is properly evaluating the site's use of program funds, including the review of all relevant bank statements; expanding the test month as required per the CACFP Handbook; conducting these reviews at least three times annually; and issuing appropriate findings and adverse action as required, TDA will not call a finding on the sponsor if an issue is detected in the month selected. Note that if TDA detects a potential issue with the records reviewed, TDA may expand its review to the test months the sponsor reviewed.

Bank Statement Review

TDA is providing additional clarification on site bank statement reviews, which are required to ensure that the site is tracking federal reimbursement from receipt through expenditure while operating a nonprofit food service, and to validate Program expenses.

First, per the handbook, sponsors must separate non-Program transactions from valid expenses. To assist with this effort and to protect the nature of non-Program expenses, sites are allowed to redact non-Program expenses from any financial statement provided that there is enough information to validate that the statement itself is legitimate and that all Program expenses can be identified and validated.

Second, while it is not unallowable to pay for expenses from alternate accounts, credit cards, and/or money transfer applications not associated with the primary account where reimbursement is received, all expenses submitted for reimbursement must be validated as having been paid for by the site. Therefore, a sponsor must review any bank account from which funds are ultimately drawn to pay for Program expenses. It is thus recommended that sites be trained to maintain the simplest paper trail documenting reimbursement and expenses. For example, a best practice would be to use a dedicated account for CACFP reimbursements and expenses, and in cases when expenses are funded from another source, the site should reimburse that alternate source from the primary account.

Implementation Instructions and Effective Date

This guidance supplements existing guidance in Section 4500 of the CACFP guidance and is therefore effective immediately. This guidance will be included in the next version of the CACFP Handbook and applicable onsite review form instructions.