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Michael F. Easley, Governor

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April 5, 2002

**CACFP 02-22**

**MEMORANDUM**

**TO** Institutions Participating in the Child and Adult Care Food Program

**FROM** Arnette Cowan, MS, RD, LDN  
Head, Special Nutrition Programs Unit

**SUBJECT** ~~Implementation of Public Law 105-336~~ **Rounding of Reimbursement Rates**

This memorandum is to inform you of changes in Public Law 105-336. Provisions in Section 103(b) of Public Law 105-336, amended section 11(a)(3)(B) of the NSLA (42 U.S.C. 1759 (a)(3)(B) changes the method for the annual adjustments to reimbursement rates for free and reduced price meals and supplements served in centers participating in the Child and Adult Care Food Program. The amendment requires that operating reimbursement rates for meals and supplements served in centers be adjusted to the nearest lower cent increment and be based on the unrounded amount for the preceding 12-month period. This parallels the amendment made by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193) for paid meal reimbursements in centers, and for all meals served in CACFP family day care homes. With section 103(b)'s amendment, all reimbursement rates for meals in CACFP will be adjusted and then rounded down to the lower cent. The new requirement for rounding of reimbursement rates became effective July 1, 1999, and is now implemented through the annual Federal Register notice.

**Other provisions of Public Law 105-336**

**Even Start Categorical (Automatic) Eligibility**

Section 107(b) of Public Law 105-336 amended section 17(c) of the NSLA (42 U.S.C. 1766(c)(6) to permanently reinstate categorical (automatic) eligibility for free meals in CACFP for pre-kindergarten children participating in the Even Start Program. Categorical eligibility for these Even Start participants previously expired on September 30, 1997.

According to the Conference Report, the provision was included in the law to place the children of Even Start families "on an equal footing with Head Start participants," since it is determined that participants in Even Start generally have lower incomes than those families participating in Head Start. To implement this provision, SA's should operate under guidance issued on July 22, 1998, (CACFP Policy 226:23-07), until further notice.



## **Kentucky/ Iowa Demonstration Projects**

Section 107(f) of Public Law 105-336 amends section 17(p) of the NSLA (42 U.S. C. 1766 (p)) to permanently authorize and provide funding on an entitlement basis for the demonstration projects conducted in the states of Kentucky and Iowa. Under these demonstration projects, for-profit child care centers in these two States are eligible to receive CACFP reimbursement if at least 25 percent of the children enrolled in the center, or 25 percent of its licensed capacity, are determined eligible for free or reduced price meals. These changes ensure uninterrupted funding under the demonstration project for eligible centers in these two states.

## **Single Agreement Claims**

Section 102(d) amended section 9 of the NSLA (42U.S.C. 1758) establishes two requirements with respect to school food authorities (SFA) which administer any combination of the Child Nutrition Programs under the same state- administering agency. First, the SA must use a single State/local agreement for all programs operated by the SFA under that SA. This also means that multiple programs operated under an alternate SA must be combined into a single agreement. Moreover, these agreements must be permanent and may be amended as necessary. Second, a SA must use a common reimbursement form to claim meals under all of the programs. Previously, single agreements and common claim forms were permitted at SA option for SFA's administering multiple Child Nutrition Programs under a single SA.

For this provision, a general waiver for two years is provided as it pertains to claims. This waiver is in place because many SA's have insufficient computer resources to make the necessary changes due to the potential difficulties rising from the preparations for the year 2000. A waiver of the requirement for single agreements until school year 1999-2000 is also provided, because agreements for this school year have already been signed.

Congress intended that these provisions provide both SA's and school districts with additional administrative flexibility. In the Conference Report for Public Law 105-336, the Conference Committee also expressed that view that SA's may conduct consolidated reviews of the school meal programs and the CACFP when the schools operate all of these programs. Moreover, the Conference Committee states that when the same school food service personnel administer the SFSP as well as the school meals programs, the SA need not conduct a review of the summer program in the same year in which the school food service operations have been reviewed and determined to be satisfactory. The Conference Committee expects this flexibility to result in savings at the state level but notes that states may conduct additional reviews when they deem it appropriate.

For an additional measure of flexibility, the Conference Report makes clear that school districts may prepare meals for CACFP and SFSP using whatever approved menu planning option they employ in the school meals programs. CACFP and SFSP regulations already permit this flexibility.

## **State Administrative Expense (SAE) Funding**

Section 202(b) of Public Law 105-336 amended section 7(a)(6) of the Child Nutrition Act of 1966 (CAN, 42 U.S.C. 1776 (a)(6) by removing the previous 10 percent limit on SAE funds and State Administrative Funds (SAF) for the SFSP that may be transferred from one program to another. Now, SA's may transfer their SAE funds and SAF among the programs, as they deem necessary for efficient administration of the programs.

## **Providing WC Information**

Provisions of Section 107(I) of Public Law 105-336 added section 17(s) to the NSLA (42 U.S.C. 1776(s) requires that information about the Special Nutrition Program for Women, Infants and Children (WIC) be

provided to certain facilities participating in CACFP. Specifically, the law requires USDA to provide SA's administering CACFP with information about WIC. SA's are then required to provide all family and group day care homes, and all child care centers (except outside-school-hours care centers), with the information. In addition, the SA must ensure that periodic updates of the information are provided to facilities, and that facilities provide the information to parents of enrolled children at the time of their enrollment.

### **No t i f i c a t i o n o f I n c o m p l e t e A p p l i c a t i o n s**

Section 107(d) of Public Law 105-336 amended section 17(d)(1) of the NSLA (42 U.S.C. 1766(d)(1) removes the requirement that SA's notify institutions applying for participation in CACFP that their application is incomplete within 15 days of receipt of such application. The Conference Committee encourages SA's to respond to institutions on the completeness of applications in a timely fashion. The law continues to require that SA's notify applicant institutions whether they are approved or disapproved for participation in the program within 30 days of the date a completed application is filed.

### **S p o n s o r A p p r o v a l a n d R e n e w a l R e q u i r e m e n t s**

Section 107 (c) of Public Law 105-336 amended section 17(d)(1) of the NSLA (42 U.S.C. 1766 (d)(1) to require SA's to visit all new private institutions before the approval of their applications. This change is expected to help SA's ensure that prospective institutions are capable of administering the program.

Section 107(c) also requires SA's to periodically visit private institutions participating in the program found to "have a high probability of program abuse." Each SA should develop a system to identify and visit private institutions with a high probability for program abuse.

### **A d i t F u n d i n g**

Section 107(e) of Public Law 105-336 amended section 17(i) of the NSLA (42 U.S.C. 1766 (i) to reduce the amount of funding provided each year to SA's for expenses related to conducting audits of participating institutions. The law reduces the amount of such funding from two percent of the funds used by each state in the second preceding fiscal year, to 1.5 percent for FY's 1999 through 2004. The law further decreases the funding to one percent for FY's 2005 through 2007, though the Conference Report indicates the Conference Committee's intent "that audit funds be restored before the 2005 deadline."

### **F u n d i n g f o r M a n a g e m e n t S u p p o r t**

Section 107(g) of Public Law 105-336 added section 17(q) to the NSLA (42 U.S.C. 1766(q) to require the Secretary to provide additional training and technical assistance to SA's to assist them in improving their program management and oversight of CACFP. The law earmarks \$1 million for each fiscal year (FY) 1999-2003 to support these activities.

The Conference Report directs USDA to use this funding "in support of its current effort to improve program integrity and quality, and to deal with the increasing incidence of mismanagement and fraud identified in the program. Additionally, it is to be used to help ensure proper implementation of the family day care home tiering requirements. Specific uses of the funding are to include development of technical assistance materials for program cooperators and training of SA's.

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### **Elimination of Outside-School-Hours Care Demonstration Project**

Section 109(a) of Public Law 105-336 amended section 18(e) of the NSLA (42 U.S.C. 1769) to remove the authority for the Outside-School-Hours Care Demonstration Project. Authority for the project expired September 30, 1998.

### **Criminal Penalties**

Section 104(b) of Public Law 105-336 amended section 12(g) of the NSLA (42 U.S.C. 1760 (g) to increase to \$25,000 the maximum fine for embezzling, willfully misapplying, stealing, or obtaining by fraud funds, assets or property acquired under the NSLA or the CNA.

If you have any questions, please contact your regional consultant.

AC/ERB/clg

cc: SNP Staff  
Auditors