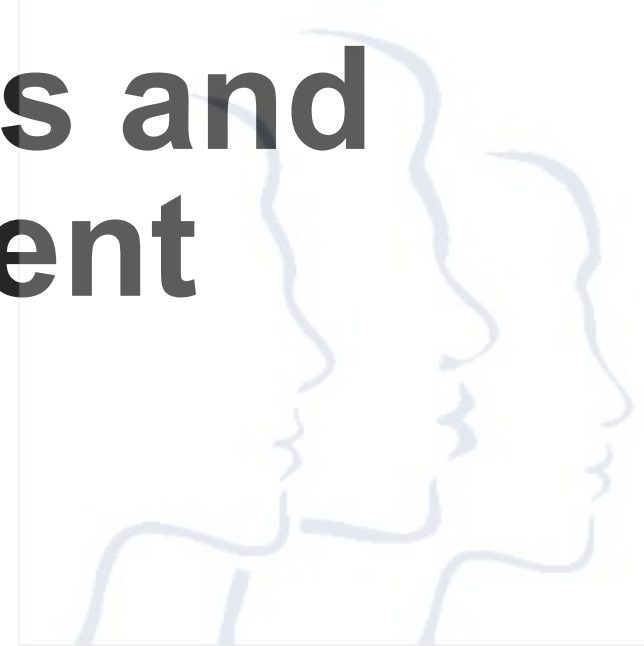




Unused Federal Administrative Payments and State Meal Reimbursement

ROUNDTABLE MEETING

JANUARY 11, 2022



Purpose

- Discuss unused federal administrative payments (UFAP) carryover
- Discuss state meal reimbursement (SMR)
- Explain how the retention of SMR affects UFAP carryover
- Provide technical assistance:
 - How to demonstrate CACFP administrative need
 - Request for specific prior written approval/budget revision process

Unused Federal Administrative Payments Carryover

- [Public Law 111-296 – December 13, 2010](#), SEC. 334. SIMPLIFYING AND ENHANCING ADMINISTRATIVE PAYMENTS TO SPONSORING ORGANIZATIONS (B) Administrative Funds (iii) Carryover Funds, established UFAP carryover for DCH sponsors.

“The Secretary shall develop procedures under which not more than 10 percent of the amount made available to sponsoring organizations under this section for administrative expenses for a fiscal year may remain available for obligation or expenditure in the succeeding fiscal year.”

Unused Federal Administrative Payments Carryover

- Total federal administrative payments: Federal administrative payments received during the current program year (PY) plus UFAP carryover from the previous PY.
- UFAP: Total federal administrative payment less actual administrative costs.
- Carryover: Up to 10 percent of federal administrative payments received during the current PY. The difference between UFAP and carryover (amount that exceeds the 10 percent allowable carryover must be returned to the state agency by December 10).

Unused Federal Administrative Payments Carryover

- If the UFAP available to carryover are equal to or less than 10 percent of the federal administrative payments received during the PY, the day care home (DCH) sponsor may carryover all of the UFAP.
- If the available UFAP to carryover are greater than 10 percent of the federal administrative payments received during the PY, the DCH sponsor may carryover up to 10 percent of the federal administrative payments and must return any amount in excess of the 10 percent limit.
- If the DCH sponsor chooses to carryover less than the full 10 percent, they must return all UFAP to the state agency that they choose not to carryover.

Unused Federal Administrative Payments Carryover - Example

- The DCH sponsor received:
 - \$752,000 in federal administrative payments during the current PY
 - \$75,500 in UFAP carryover from the previous PY
- And incurred:
 - \$747,000 in actual administrative costs
- The DCH sponsor may expect to carryover \$75,200 in UFAP, and return \$5,300 in UFAP to the state agency.

Unused Federal Administrative Payments Carryover - Example

- UFAP may be calculated using the table included in [Management Bulletin: CACFP-04-2017 – CACFP Procedures for Retaining UFAP](#)

Description	Amount
Total federal administrative payments received during the current PY	\$752,000
10 percent of total federal administrative payments received during the current PY	\$75,200
UFAP carryover from the previous PY	\$75,500
Total federal administrative payments	\$827,500
Actual administrative costs	\$747,000
Amount unused	\$80,500
Amount that exceeds the 10 percent allowable carryover	\$5,300

Unused Federal Administrative Payments Carryover - Conclusions

- The total UFAP for PY 2020-21 was \$961,295
- The total carryover for PY 2020-21 was \$812,911 in carryover
- 60% (26 of 44) of DCH sponsors had UFAP carryover from PY 2020-21
 - Average UFAP carryover was \$18,475.
 - 46% (12 of 26) of those DCH sponsors returned UFAP in excess of ten percent of the federal administrative reimbursement received during the previous PY.
 - Average excess UFAP returned to the CDE was \$3,372.

State Meal Reimbursement

- SMR: The 2021-22 California State Budget (enacted on: June 28, 2021), includes \$15 million General Fund for the Child and Adult Care Food Program to restore the state reimbursement match for the meal programs. DCH sponsors may receive \$0.1853 state meal reimbursement for 75% of the breakfasts and lunches served to participating children.
- SMR administrative retention: The California Department of Finance confirmed that in alignment with 7 *Code of Federal Regulations* (7 CFR), Section 226.12(a), DCH sponsors may retain **up to** 30 percent of SMR, based on administrative need.

State Meal Reimbursement

- Retained SMR is a non-federal source of CACFP income and reimbursement and should be treated as other non-federal sources. Therefore, retained SMR does not impact the calculation of UFAP carryover.
- Retained SMR is not subject to the same requirements established by Public Law 111-296 and unused SMR is not required to be returned to the CDSS

State Meal Reimbursement - Example

- The DCH sponsor served:
 - 700,520 breakfasts
 - 1,233,010 lunches
 - 1,933,530 total breakfasts and lunches
- The DCH sponsor retains 30 percent of SMR

75 percent of 1,933,530 breakfasts and lunches served = 1,450,148

$\$0.1853 \times 1,450,148 = \$268,712.33$

$\$268,712.33 \times 30\% \text{ retained SMR} = \$80,613.70$

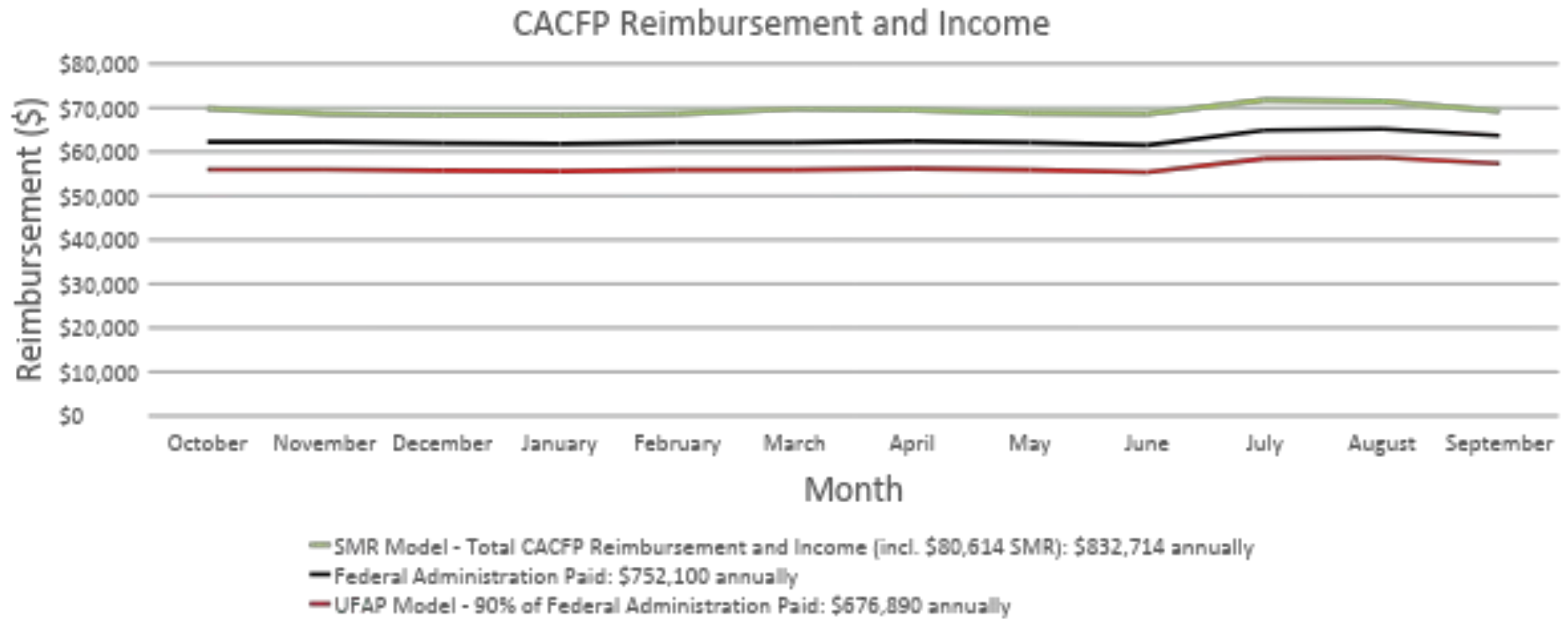
State Meal Reimbursement - Conclusions

- ***Up to*** 30% SMR is available for retention by DCH sponsors based on CACFP administrative need.
 - If CACFP administrative needs are met with federal administrative reimbursement (as indicated by UFAP carryover), the DCH sponsor may distribute 100% of SMR to DCH providers as intended by California Education Code, Section 49501.5:
 - ...except for ***family day care homes*** which shall be reimbursed for 75 percent of the [breakfasts and lunches] served.

How Does Retained SMR affect UFAP - Example

	Federal Administration Paid	90% of Federal Administration Paid	State Meal Reimbursement (retained)
October	\$62,200	\$55,980	\$7,614
November	62,200	55,980	6,390
December	61,900	55,710	6,382
January	61,800	55,620	6,520
February	62,100	55,890	6,560
March	62,100	55,890	7,625
April	62,400	56,160	7,134
May	62,100	55,890	6,627
June	61,500	55,350	7,067
July	64,900	58,410	6,861
August	65,200	58,680	6,315
September	63,700	57,330	5,520
TOTAL:	\$752,100	\$676,890	\$80,613.70
AVERAGE:	\$62,700	\$56,400	\$6,700

How Does Retained SMR affect UFAP - Example



How Does SMR affect UFAP - Conclusions

- UFAP model:
 - Spend 90% of federal administrative reimbursement annually
 - Carryover up to 10% of the current PY federal administrative reimbursement to the upcoming PY.
- SMR model:
 - Spend 111% of federal administrative reimbursement annually.*
 - Maximizing the benefit of retained SMR eliminates UFAP.

* Rate based on the above data; actual rate may vary based on DCH sponsor activities.

How Does Retained SMR affect UFAP - Conclusions

- UFAP carryover incentivizes keeping total administrative costs lower than received federal administrative payments.
- SMR incentivizes increased administrative spending beyond federal administrative payment thresholds.
- DCH sponsors should decide whether retaining SMR or carrying over UFAP is more financially advantageous for the administration of their CACFP.

How Does Retained SMR affect UFAP - Conclusions

- Using the examples above, the DCH sponsor could expect to receive approximately \$62,700 in federal administrative payments, and \$6,700 in SMR each month.
- The DCH sponsor may incur a total of \$69,400 in monthly administrative expenses by retaining 30 percent SMR.
- Because total administrative expenses will exceed federal administrative payments by maximizing the benefit of the retained SMR, UFAP will be \$0.

How Does Retained SMR affect UFAP - Conclusions

- SMR does ***not*** offset CACFP costs.
 - (+) \$56,500 total CACFP costs
 - (–) \$6,700 retained SMR
 - (=) \$49,800 net CACFP costs
- SMR increases the amount of CACFP reimbursement and income available to the DCH sponsor for their CACFP.
 - (+) \$62,700 federal administrative reimbursement
 - (+) \$6,700 retained SMR
 - (=) \$69,400 available for total CACFP costs

How Does Retained SMR affect UFAP – Next Steps

- Track federal and state administrative reimbursement, and CACFP costs.
- If CACFP administrative needs are met with federal administrative reimbursement (as indicated by UFAP carryover), the DCH sponsor may:
 - Increase CACFP spending to match federal and state administrative reimbursement.
 - Retain less than 30% of SMR and distribute the difference to DCH providers.

How Does Retained SMR affect UFAP – Next Steps

- DCH sponsors can show CACFP administrative need by requesting approval to exceed approved budget thresholds, or approval for new CACFP costs; and spending to those new budget thresholds.
- To request approval to exceed currently approved CACFP cost thresholds or for new CACFP costs, please complete and submit a Request for Specific Prior Written Approval worksheet to your assigned DCH specialist. Please note: The approval of allowable CACFP costs may not be granted retroactively.

Where Can the DCH Sponsor Find This Information?

- CNIPS > Claims > Claim Entry – DCH
- CNIPS > Applications > Application Packet – DCH Sponsor > DCH Budget > View > View File: Budget spreadsheet with revision number, Income & Reimbursement tab
- Contact your assigned DCH specialist



Questions?

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