



# State of New Jersey

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**TO: FAMILY DAY CARE PROGRAM SPONSORING ORGANIZATIONS**

**FROM:** Tanya DW Johnson, Coordinator   
Child and Adult Care Food Programs  
Division of Food and Nutrition

**SUBJECT: FDC Memo #11-15 – Carry Over of Unused Child and Adult Care Food Program Administrative Payments**

The Healthy, Hunger-Free Kids Act of 2010 (the Act), Public Law 111-296, modified the basis for making administrative payments to family day care home (FDCH) sponsoring organizations (sponsors) in the Child and Adult Care Food Program (CACFP). An earlier memorandum implemented the Act's provision regarding the monthly calculation of FDCH sponsors' administrative payments (FDC Memo 11-07, dated March 2011 provided guidance on implementation of the Act's provision regarding to eliminate the "lesser of" cost and budget comparisons for calculating Administrative payments to FDCH sponsoring organizations.

Section 334 of the Act amends section 17(f)(3) of the Richard B. Russell National School Lunch Act (NSLA) (42 U.S.C. 1766(f)) to permit FDCH sponsors to carry over a maximum of 10 percent of administrative payments into the succeeding fiscal year. In accordance with section 17(f)(3)(B)(iii) of the NSLA, as amended by the Act, the 10 percent maximum on the amount of administrative funds that may be carried over must be based on the total amount of homes times rates administrative payments received by the FDCH sponsor over for the fiscal year. Administrative funds remaining at the end of the fiscal year that exceed 10 percent of that fiscal year's administrative payments must be returned to the State agency. If the 10 percent carryover funds are not expended in the succeeding fiscal year, the FDCH sponsor is required to return the unused funds to the State agency. A sponsor can avoid that situation by using its payments for CACFP administrative costs on a first-in-first-out basis.

FDCH sponsors are still required to submit annual budgets that must be approved by the State agency, and the amount carried over must be accounted for in the sponsor's budget for the succeeding fiscal year. Further, FDCH sponsors remain responsible for correctly accounting for costs, and maintaining records and sufficient supporting documentation to demonstrate that costs claimed have been incurred, are allowable, and comply with all applicable Program regulations and policies.

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Because the final administrative claims may not be known when the annual budget is submitted to the State, each sponsor must estimate the carryover amount when preparing the annual budget. The estimate should be based on a comparison of the administrative payments the sponsor expects to receive with the amount of allowable administrative expenses the sponsor expects to incur. As shown in the example below, this will yield the 10 percent carryover figure and any amount that must be returned to the State agency.

**Example:**

Sponsor estimates administrative payments of \$100,000 during FY 2011

Sponsor estimates incurring \$85,000 in allowable administrative costs during FY 2011

Sponsor may carryover up to \$10,000 into FY 2012 ( $\$100,000 \times .10$ )

Sponsor must return \$5,000 to the State agency ( $\$15,000 - \$10,000$ )

An amended budget must be submitted once the fiscal year close-out has occurred and the carryover amount is finalized and approved by the State agency. It is still necessary for FDCH sponsors to use accrual accounting for the final claim of the fiscal year so that the end-of-year reconciliation and close-out can be performed.

Each FDCH sponsoring organization must have a system that monitors its nonprofit status, and ensures that Program funds are used principally for the benefit of participants. The accumulation of excessive balances in the sponsor's nonprofit food service account remains prohibited under FNS Instruction 796-2, rev. 3, ("Financial Management in the CACFP"), Section VI.

Please note sponsoring organizations are not required to carry over administrative funds. Any unexpended funds remaining at the end of the fiscal year, which could be carried over into the succeeding fiscal year, may be returned to the State agency at the sponsor's option. In addition, please note that nothing in this memorandum in any way limits or changes the requirements that all institutions must maintain financial viability; an overclaim will be sited if the sponsor has improperly used CACFP administrative funds; and may be declared seriously deficient on the basis of its improper use of CACFP administrative funds.

Should you have any questions about this information, please contact the CACFP office at (609) 984-1250.

Ciw FDC 2011 Admin Payment Carryover