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Tiering Increases CACFP Sponsors' Administrative Tasks

Food Assistance Research Brief

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Issue: The two-tiered meal reimbursement system instituted in 1997 within the child care homes portion of the Child and Adult Care Food Program added new duties for sponsoring organizations. Is the reimbursement of sponsors' administrative costs adequate now that tiering has added income status determination and accounting to their duties? As the number of sponsors declines, is the CACFP readily accessible to family child care homes?

Background: The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) established a two-tier meal reimbursement rate structure for CACFP family child care homes. Homes that are either located in low-income areas or run by providers with family incomes at or below 185 percent of the Federal poverty guideline are designated as Tier I. An area is considered low-income if 50 percent or more of the children at the local elementary school have applied and been approved for free or reduced price school meals, or if 50 percent or more of the children in the area are in families with incomes at or below 185 percent of the Federal poverty guidelines as measured by the most recent decennial census. Meal reimbursement rates for Tier I homes are comparable to the rates that existed for all CACFP homes before PRWORA. Family child care homes that do not meet the low-income criteria are designated as Tier II. Tier II homes receive

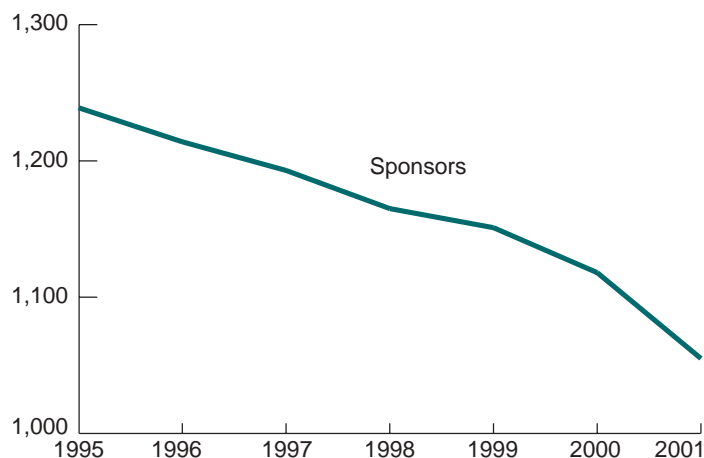
lower reimbursements, although they can be reimbursed at Tier I rates for meals served to children from families with incomes at or below 185 percent of the poverty guideline, given appropriate documentation.

Family child care homes can participate in the CACFP only if they are sponsored by an organization that has entered into an agreement with the State office to administer the program at the local level. Sponsors are responsible for recruiting homes, determining that homes meet the CACFP eligibility criteria, determining their tier status, providing training and other support, and monitoring the homes to assure that they comply with applicable Federal and State regulations. Sponsors receive and verify the homes' claims for CACFP reimbursement, forward the claims to State CACFP offices for payment, receive the reimbursements, and distribute the meal reimbursements to the homes. Sponsors receive payments for these administrative activities that are based on a four-part formula—the lowest amount of (1) actual costs, (2) State-approved budgeted costs, (3) the sum of a rates-times-homes schedule, or (4) 30 percent of total meal reimbursements and administrative costs. The rates-times-homes schedule accounts for economies of scale by reimbursing sponsors at decreasing rates as the number of homes sponsored increases (table 1).

Table 1. Administrative cost reimbursement rates for CACFP family child care home sponsors

	Per home per month rates			
	Initial 50	Next 150	Next 800	Each additional
	<i>Dollars</i>			
Contiguous States	84	64	50	44
Alaska	136	104	81	71
Hawaii	98	75	59	52

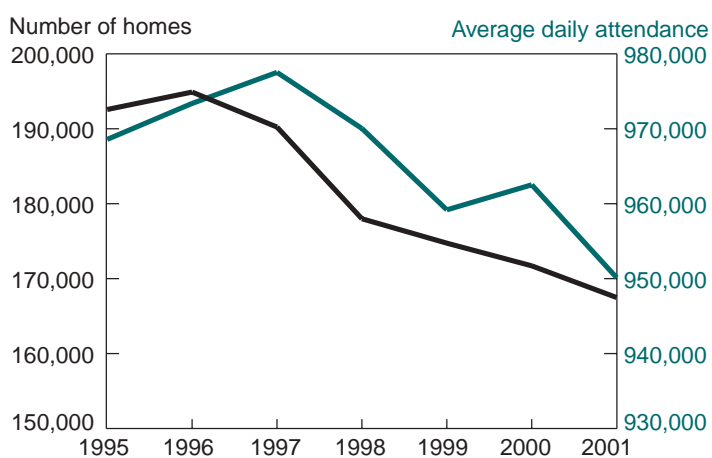
Source: Food and Nutrition Service, USDA.

Figure 1. CACFP family child care home sponsors, FY 1995-2001

Source: Food and Nutrition Service, USDA.

Findings: The Family Child Care Homes Legislative Changes Study funded by the Economic Research Service found that tiering has added responsibilities and challenges for CACFP sponsors. With the introduction of tiering, sponsors became responsible for classifying homes as Tier I or Tier II; determining the eligibility of children in Tier II homes for reimbursement at Tier I rates (if requested by the provider); and, for Tier II providers with some children reimbursed at Tier I rates, determining each month the number of meals to be reimbursed at each rate. Along with those new administrative duties, many sponsors reported increased difficulty in recruiting and retaining providers. The number of CACFP sponsors peaked in 1994-95 and declined in each subsequent year (fig. 1). The rate of decline reached nearly -6 percent between fiscal year 2000 and fiscal year 2001. The numbers of homes participating in the CACFP and average daily numbers of children served have also declined since FY 1997, but not as rapidly as the number of sponsors (fig 2). The ability of the remaining sponsors to recruit and provide service to child care homes in all areas of the country is at issue.

In the Legislative Changes Study, sponsors reported changes in the content of training and greater difficulty in recruiting homes. Sponsors also rate low-income area determinations and providers' low-income status determi-

Figure 2. CACFP family child care homes and average daily attendance, FY 1995-2001

Source: Food and Nutrition Service, USDA.

nations as their most burdensome duties. Open questions regarding sponsoring organizations include: (1) Is the nutrition knowledge of providers adequate now that sponsors need to spend some training time to educate providers on tiering determination rules, and (2) Is the reimbursement of sponsors' administrative costs adequate now that tiering has added income status determination to their duties.

ERS is completing an exploratory study of the system used to reimburse sponsors for their administrative costs. Results of this study are forthcoming.

Information Sources:

Bernstein, Lawrence S. and William L. Hamilton, *Sponsoring Organizations and the CACFP: Administrative Effects of Reimbursement Tiering*. E-FAN-02-003. U.S. Department of Agriculture, Economic Research Service, April 2002. Available at: <http://www.ers.usda.gov/publications/efan02003>

Hamilton, William L., Nancy R. Burstein, and Mary Kay Crepinsek, *Reimbursement Tiering in the CACFP: Summary of the Family Child Care Homes Legislative Changes Study*. FANRR-22. U.S. Department of Agriculture, Economic Research Service, March 2002. Available at: <http://www.ers.usda.gov/publications/fanrr22>

Additional Information:

<http://www.ers.usda.gov/briefing/foodnutritionassistance/childnutrition>

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