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Food and
Consumer
Service

Child and Adult Care Food Program

Eligibility Guidance for Family Day Care Homes



Child and Adult Care Food Program Eligibility Guidance for Family Day Care Homes

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Introduction

This guidance focuses on the responsibilities of family day care home (FDCH) sponsoring organizations participating in the Child and Adult Care Food Program (CACFP) for determining eligibility for tier I or tier II reimbursement under the two tier reimbursement system implemented as a result of Public Law 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. The reimbursement structure targets higher reimbursement to day care providers located in low-income areas and to providers and children from low-income households. The basis for the determination of eligibility is the Income Eligibility Guidelines (IEGs) used to determine eligibility for free and reduced price meals in school meal programs which are updated annually to adjust for inflation.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 targets higher reimbursement rates based on:

- the location of the day care home;
- the income of the day care provider's household; or
- the income of individual children's household.

This guidance is divided into three parts. **Part I, Classification of Family Day Care Homes**, provides general information on the subject of tier I day care home classification. It includes information on:

- using area information to determine day care home eligibility for tier I reimbursement;
- how to verify provider's household income or categorical eligibility for tier I determination; and
- eligibility for reimbursement of meals served to the provider's own children in area eligible tier I homes.

Part II, Determination of Individual Household Eligibility based on Income or Categorical Eligibility, provides guidance for determining household income or categorical eligibility for either providers or for children enrolled in tier II homes. It gives:

- requirements for income eligibility statements;
- guidance on determining household size and income; and
- guidance on determining categorical eligibility.

Part III, Reimbursements for Tier II Homes with Children Eligible for Tier I Reimbursements, gives an explanation, formula, and example for three meal counting and reporting options:

- actual meal counts;
- claiming percentages; and
- blended rates.

In addition, there is a **Glossary** of definitions, and an **Appendix** with sample letters and income eligibility statements for both providers and households of children in tier II homes.

Sponsoring organizations should be sure to discuss Program details—such as forms, requirements, and operating procedures—with the State administering agency, since States may have additional State level requirements and may have modified the sample forms provided in the Reference Section of this guidance.

Part I

Classification of Family Day Care Homes

Part I of this guidance provides information on:

- how to document classification of a family day care home as tier I based on area data,
- how to verify income or categorical eligibility of the provider as the basis for tier I determination, and
- how to determine eligibility of the provider's own children for reimbursement if the home was determined eligible for tier I based on area eligibility.

Tier I Day Care Homes

Day care homes participating in the Child and Adult Care Food Program (CACFP) are classified as tier I homes either by location of the home in an eligible area ("area eligibility") or by the provider's income. After a home has been classified as tier I, all program meals served to enrolled children are reimbursed at tier I rates regardless of the income of the enrolled children's household. However, if the tier I classification is based on area eligibility, the provider must still submit an income eligibility statement in order to receive reimbursement for meals served to his/her own children.

Under the CACFP regulations, §226.2, area eligibility is defined as follows:

- a day care home that is located in an area served by a school enrolling elementary students in which at least 50 percent of the total number of children enrolled are certified eligible to receive free or reduced price meals; or under certain circumstances (as discussed below)
- a day care home that is located in a geographic area, as defined by FCS based on census data, in which at least 50 percent of the children residing in the area are members of households which meet the income standards for free or reduced price meals.

In addition, the provider's household income may be used to classify a home as tier I. In this case, the law requires that the household income be verified. The definition in §226.2 is:

- a day care home that is operated by a provider whose household meets the income standards for free or reduced price meals, as determined by the sponsoring organization based on a completed free and reduced price application, and whose income is verified by the sponsoring organization of the home in accordance with §226.23(h)(6).

Sponsor Responsibility for Tier Determination

Sponsoring organizations are responsible for determining the classification of a family day care home (FDCH) as a tier I home. If the sponsoring organization has not been able to verify that the home meets one of the above criteria for tier I classification, the home must be classified as a tier II day care home.

Since there is a significant financial benefit associated with the classification of a home as a tier I day care home, the State agency will establish an overclaim against the sponsor if there is an indication that the sponsor has intentionally or negligently misclassified the home. Sponsoring organizations and State agencies should work closely, especially during the implementation stages, in order to ensure a mutual understanding of the rules and regulations that apply to the classification of tier I homes.

Sponsors will need to be familiar with the requirements for tier I classification and maintain appropriate documentation to support their determination of each family or group home's eligibility for tier I benefits. Sponsors should maintain on file the documentation used to determine the classification of the home as tier I for as long as the classification is in effect plus three fiscal years. (The length of time the tier I classification is in effect will be different depending on the method used, as explained in the discussions below about using school or census data or the provider's income or categorical eligibility.) The classification documentation and all other records to support reimbursement claims must be retained for three years after the end of the fiscal year to which they pertain, or longer if there is an ongoing audit or investigation. They must also be made available to the State agency, the Department, or the General Accounting Office for review or audit at any reasonable time and place.

Tier I Classification Based on Area Eligibility

Use of School Data - Based on experience gained in the Summer Food Service Program, which also uses area eligibility determinations, the Department considers aggregate public school data on the percentage of enrolled children eligible for free and reduced price meals a highly effective way of determining whether or not day care homes are located in low-income areas. Since the National School Lunch Program (NSLP) requires an annual determination of categorical eligibility, or income eligibility using the current year's Income Eligibility Guidelines (IEGs), this information is up to date and reflects current school year information. Therefore, in most instances, school data tends to be more reflective of a defined area's current socioeconomic conditions than census data, which is the other source of aggregate data permitted under the law. For this reason:

The sponsor must always consult school information first to document eligibility of day care homes for tier I reimbursement.

Each State agency that administers the school nutrition programs is required each year to provide to the CACFP State agency a list of elementary schools in the State in which at least 50 percent of the enrolled children have been determined to be eligible to receive free or reduced price meals. Each school food authority must provide the NSLP State agency with a list of all elementary schools under its jurisdiction in which 50 percent or more of enrolled children have been determined eligible for free or reduced price meals as of the last operating day in October. No later than February 1, the NSLP state agency must consolidate the information provided by school food authorities and provide the CACFP State agency with a complete list. The CACFP State agency, in turn, is required to provide all sponsoring organizations in the State with this information no later than February 15 each year.

NOTE: There is no specific definition of "elementary school" in the law. States may define "elementary" in the way the term is typically used in the State.

The sponsoring organization's determination that a day care home is located in an eligible low-income area will generally be in effect for three years when the determination is based on school data.

The State agency, sponsoring organization or the Department may change a tier I categorization if new information becomes available to indicate the area is no longer a low income area.

Schools Participating in Provisions 1, 2 or 3 - In the NSLP, schools in especially needy areas are allowed an exemption from the annual distribution, collection, and determination of individual family eligibility applications to reduce the paperwork burden. Provision 1 is only available to schools with at least 80% of their enrollment eligible for free or reduced price meals. Exemptions under either provision 2 or provision 3 are generally used only in schools with a high percentage of enrolled children eligible for free or reduced price meals. Therefore, sponsors may use the school's most recent "base year" data for a tier I determination in schools participating in provision 1, 2 or 3, even though they do not take applications each year.

Use of Census Data - Due to the fact that it is more recent and more representative of a given area's current socioeconomic status, school data must be consulted first when trying to determine the area eligibility of a FDCH for tier I benefits. Since census data are collected only once every ten years, and the Bureau of the Census typically does not release the data until several years after it was collected, school data is far more current and will, in most cases, more accurately represent current economic conditions in a given area.

If, after a reasonable effort, the sponsor cannot obtain local elementary school boundary information, or if other circumstances warrant the use of census data to establish a day care home's classification as a tier I home, the sponsor should consult with the State agency. The decision to use census data must be based on an agreement between the State agency and the sponsoring organization that it is the most appropriate source for representing the area's current economic circumstances. This should be documented in the sponsor's approved management plan.

In general, census data may be used in three types of circumstances:

1. the FDCH is located in a rural area, where geographically large elementary school attendance areas occasionally obscure localized pockets of poverty which can be identified through use of census data;
2. school data show an area to be close to the 50 percent threshold for area eligibility (that is, between 40 and 49 percent), and the special tabulation of the census data reveals a portion of the school's attendance area in which 50 percent or more of children are income eligible; and
3. the local elementary school data does not reflect the surrounding area's socioeconomic condition due to the use of busing or other non-neighborhood bases (e.g. "magnet schools," "charter schools," etc.) for defining elementary school attendance areas. This is the only instance in which census data may be consulted first, **instead** of school data.

Again, the circumstances justifying the use of census data should be agreed upon by the State agency and the sponsor and should be documented in the sponsor's approved management plan.

When census data is used to determine a home's eligibility as a tier I home, the determination generally remains in effect until more recent census data become available.

The State agency, sponsoring organization or the Department may change a tier I categorization if new information becomes available to indicate the area is no longer a low income area.

Documentation of Area Eligibility - A sponsoring organization must determine and document school attendance area information for each day care home. Most commonly, sponsors would obtain an official school-boundary identifying map, match provider addresses to the map's boundaries, and retain the map as documentation. If such maps were unavailable, the sponsor would need to contact school officials to verify the attendance area of the schools serving its providers and document the results of this contact, either with a letter from a school official to the sponsor or with a memorandum to the files detailing the information provided

by the school officials and the name of the official(s) consulted. A memo to the files should always be dated and initialed.

Similarly, if census information is used to determine area eligibility, the sponsor would need to maintain census block group boundary maps for each provider to document their eligibility to receive tier I reimbursement. Alternately, some commercially available geo-mapping computer software programs will provide a list of provider's street addresses matched to eligible census blocks. Such lists may also be maintained as documentation.

Sponsors should maintain on file the documentation used to determine the classification of the home as tier I for as long as the classification is in effect plus three years after the end of the fiscal year to which they pertain, or longer if there is an ongoing audit or investigation.

Tier I Classification Based on Eligibility of Provider

In order to classify a day care home as tier I based on the provider's household income or categorical eligibility, the sponsoring organization must:

1. have on file a completed income eligibility statement for the provider which lists all household members and income or shows categorical eligibility (see Part II for more detailed information on establishing household eligibility);
2. for an income eligibility statement, check that the math is correct and total household income and family size are within the current income eligibility guidelines (IEGs); and
3. verify, using outside sources, that the information submitted by the provider is accurate.

All three of the above steps must have been completed prior to reimbursing the provider for meals at the tier I rates.

Classification based on Categorical Eligibility of Provider -

A provider may demonstrate that they meet the criteria for free or reduced price meals by virtue of their receipt of benefits from food stamps, the Food Distribution Program on Indian Reservation (FDPIR), or certain State programs for Temporary Assistance to Needy Families or ~~TANF~~ **FAP** (formerly Aid to Families

with Dependent Children) benefits. However, this information must also be verified by the sponsor.

If the day care home is receiving tier I rates based on the provider's household income or categorical eligibility, eligibility must be re-determined annually.

Verification of Provider's Household Income or Categorical Eligibility - Sources of information for verification of the provider's household income or categorical eligibility include written evidence, collateral contacts, and/or systems of records.

1. Written Evidence

Written evidence shall be used as the primary source of information for verification. Such evidence may be submitted by the provider along with the provider's income application.

Written evidence includes:

- written confirmation of a household's circumstances, such as pay or wage stubs from employers or a letter from employers confirming wages;

Acceptable written evidence of pay or wages must contain the name of the household member, amount of income received, frequency received, and the date the income was received. For example, a pay stub with no date would be insufficient.

- tax forms;

NOTE: The sponsoring organization may use income tax forms as verification for self-employed persons. However, income is defined differently for USDA programs than income is defined by the Internal Revenue Service (IRS) for income tax purposes. Refer to separate guidance for further information.

- a current "Notice of Eligibility" for food stamp benefits; current certification to participate in the FDPIR or certain State ^{FAP}TANF programs; or award letters from the welfare department or other government agencies which establish the households eligibility to receive food stamps, FDPIR or certain State TANF programs.

A food stamp document or one from another categorically eligible program that does not specify the certification period is not adequate for documentation. For example, the food stamp identification card is not acceptable because it usually does not have an expiration date.

An identification card used for a public assistance program is not acceptable as verification unless it contains an expiration date.

2. Collateral Contacts

A collateral contact should be used only in cases when the provider has not been able to provide adequate written evidence. The provider may designate a collateral contact outside the household who is knowledgeable about the household's circumstances and can give verbal confirmation of the household's income or food stamp or welfare receipt.

Collateral contacts include employers, social service agencies, migrant workers agencies, and religious or civic organizations.

The collateral contact should not be someone who might be affected by the provider's receipt of higher tier I rates – such as a family member or other relative, neighbor, or household of the children in the provider's care.

The collateral contact may be made in person or by phone. However, all collateral contacts must be documented, dated, and initialed by the sponsoring organization.

3. Agency Records

The sponsoring organization may also submit the name and case number -- provided on an eligibility statement -- of a categorically eligible provider to the local food stamp or welfare office to request verification of the provider's categorical eligibility. Food stamp or welfare offices are permitted to release eligibility information from their files to other Federal assistance programs and federally-assisted State programs. The sponsor should request information for the most recent month available.

NOTE: This is different from Direct Certification, which is not currently allowed in CACFP. Direct Certification is a simplified

method of determining eligibility for free meals in the school programs by contacting local welfare agencies for lists of eligible participants, without having the family complete an eligibility statement.

Documentation of Verification - The sponsoring organization must keep a record of the source of information used to verify the provider's household income or categorical eligibility. The sponsoring organization must retain either:

- all documents submitted by the household;
- photocopies of the documents; or
- in situations where the actual documents or photocopies cannot be kept (or the photocopy is unreadable), the sponsoring organization **must** make a written record of the documents submitted by the household including the type of document, e.g., wage stubs or letter from an employer, income shown on the document, time period of the income, and the date of document.

If verification consists of other agency records or collateral contact, that verification must be documented and retained by the sponsoring organization.

Sponsors should maintain on file the documentation used to determine the classification of the home as tier I for three years after the end of the fiscal year to which they pertain, or longer if there is an ongoing audit or investigation.

Provider's Own Children

Meals served to the provider's own children may only be reimbursed if the following three conditions exist:

1. the provider's children must be enrolled and participating in the child care program during the time of the meal service;
2. other enrolled nonresident children must be present and participating in the same meal service; and
3. the sponsoring organization must have an income eligibility statement on file for the provider's household showing that the provider's household is income eligible or categorically eligible.

The term “provider’s own children” refers to any children who reside in the household, such as the provider’s own children by birth or adoption, grandchildren, or housemates’ children, who are part of the economic unit.

An economic unit is a group of related or unrelated people who share housing and/or all significant income and expenses of its members. Generally individuals residing in the same house are an economic unit. However, more than one economic unit may reside together in the same house. Separate economic units in the same house are characterized by prorating expenses and economic independence from one another.

Foster children are always considered a household of one. A foster child is one who is the legal responsibility of a welfare agency or court. A foster child may be certified as eligible for free meals regardless of household income.

However, children who live in the home without formal legal placement by a court or other agency of government must be considered members of the household. These children may be considered “foster” children by the family, but unless they are the legal responsibility of a court or welfare agency, they must be considered members of the household for purposes of determining eligibility for tier I reimbursement.

Other residential children who live in the dwelling where care is given are reimbursable only if they can be considered the provider’s own.

If the provider has been determined to be eligible for tier I rates due to area information – either school or census data -- the provider’s own children will be eligible for reimbursement only if the provider has filled out an income eligibility statement and has been determined to qualify for benefits on the basis of household income or because the household participates the food stamp program, FDPIR or certain TANF programs as explained above under. **NOTE:** This does not include the “expanded” categorical eligibility which may be used to qualify children in mixed tier II homes as explained below.

Verification for Provider’s Own Children – Area Eligibility

In cases where the other children in the home are eligible for tier I rates due to area eligibility, the sponsor must ensure that the provider’s income eligibility statement has been filled out

completely and totals are added correctly prior to making a determination that the provider's own children may be reimbursed for program meals. However, the sponsor is not required to verify the information on the income eligibility statement from other sources. (This type of verification was previously used in "non-pricing" programs.)

Tier II Day Care Homes

A tier II family day care home (FDCH) is defined as one that does **not** meet the criteria for classifying a FDCH as tier I. That is, it would **not** be located in an area that meets the criteria for having 50 percent of children eligible for free or reduced price meals using appropriate area data **nor** would the provider's household have submitted an income eligibility statement documenting income eligibility (at or below 185 percent of the Federal income poverty guidelines) or categorical eligibility.

Tier II day care homes (those day care homes that do not qualify to receive the higher tier I rates) may still receive tier I rates for those children enrolled in their care who are individually determined to be eligible for tier I reimbursement. The day care home provider has the option to decide whether or not they wish to take advantage of this option.

Mixed Tier II Homes

Those tier II homes that receive some combination of tier I and tier II reimbursement rates for meals served to enrolled children are considered to be "mixed tier II" homes. The provider will receive tier I rates for meals served to children who have been determined to be eligible based on household size and income or receipt of categorically eligible benefits, and tier II rates for meals served to all other children.

Meals served to all enrolled children in tier II homes who have not been determined to be eligible for tier I rates will be reimbursed at the lower tier II rates.
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If the provider elects to have the sponsoring organization collect income information from participating households, the sponsoring organization will be responsible for:

- collecting income eligibility statements from the households of all children enrolled in the home; and
- determining which income eligibility statements meet the eligibility standards.

In certain circumstances, households may be determined eligible without submitting an application. Contact your State agency for more information on this option.

In addition, the sponsor may notify the provider of the **number** but not the names of children eligible for the higher tier II ? reimbursement rates.

The sponsor is responsible for maintaining confidentiality of the information provided by individual households about their income and household size and receipt of any Federal or State benefits.

Meals served to children in tier II day care homes are eligible for tier I reimbursement if the children's family meets one of the following conditions:

- they may be determined to be "income eligible" if they have completed an income eligibility statement which shows that their household income is at or below 185 percent of the income guidelines for poverty;
- they may be categorically eligible if they participate in the food stamp, Food Distribution Program on Indian Reservation, or certain State programs for Temporary Assistance to Needy Families (formerly Aid to Families with Dependent Children); or
- they may meet the "expanded" categorical eligibility criteria if they are participating in or subsidized under any "federally or State supported child care or other benefit program with an income eligibility limit that does not exceed" 185 percent of poverty.

NOTE: The "expanded" categorical eligibility criteria was established by P.L. 104-193 only for children enrolled in tier II homes. It does not apply to determination of eligibility of the provider for tier I status, or of the provider's own children in tier I day care homes, or to enrollees in other child or adult day care centers.

The Department will provide a list of Federal programs which are categorically eligible and each State will provide a list of State-funded programs. Since these lists will be revised periodically, the sponsoring organizations should check with their State agency for the latest list.

NOTE: Since a day care home may qualify as a tier I home on the basis of the provider's household eligibility for free or reduced price meals, by definition there will be no meals reimbursed for provider's own children in tier II homes

Confidentiality of information

In order to provide confidentiality to households, sponsoring organizations are prohibited from making tier I eligibility information concerning individual households available to day care home providers. This information may only be made available to persons directly connected with the administration and monitoring of the Program.

Therefore, sponsors may inform providers in tier II homes only of the **numbers** of enrolled children determined by the sponsor as eligible for tier I benefits. The providers may not be informed of the names of children eligible for either tier I or tier II reimbursement.

Distribution and return of income eligibility statements

If the sponsoring organization chooses, and the State agency has no policy prohibiting it, the provider may distribute the blank income eligibility statements to families of children enrolling for care. However, it must be made clear to the family that the completed income eligibility statement must be returned to the sponsoring organization. Under no circumstances may be income eligibility statements be returned directly to the provider, even in a sealed envelope.

The sponsoring organization may also provide the income eligibility statement directly to the family and request that the information be returned directly to them.

The sponsor may wish to provide stamped, self-addressed envelopes to facilitate the return of the completed income

eligibility statements. This is not required; however, it is in the best interests of the sponsor and the child care provider to encourage households to return completed income eligibility statements promptly.

Prohibition of Overt Identification

The distribution and return of income eligibility statements must be handled in such a way as to eliminate the possibility of overt identification of which children are eligible for tier I or tier II rates.

Questions & Answers About Classification of Family Day Care Homes

Tier I Day Care Homes

1. **Q.** State agencies are required to provide sponsoring organizations with census data and with elementary school free and reduced price enrollment data. Are State agencies also required to provide sponsors with census maps and elementary school attendance area maps, or may they require sponsors to obtain these maps on their own?
 - A. While State agencies may assist, sponsors have the responsibility to obtain census and elementary school attendance area maps on their own. Identifying the geographic boundaries of particular census block groups can be done by consulting State Data Centers. Many State Data Centers are part of State government and, if they have the staff and resources, may be willing to provide free copies of block group maps, or even to work in determining block group boundaries. Census maps also may be available from municipalities or large public libraries. Commercially prepared geo-mapping software programs may also be useful in identifying eligible areas. Elementary school attendance maps may be available from local school districts. Any costs associated with obtaining this information are allowable administrative costs. However, the Department also strongly encourages State agencies to provide sponsors as much assistance as possible in obtaining and effectively utilizing census and school data.

2. **Q.** Not all elementary schools draw their enrollment from a specifically defined geographical area. There are schools in which children are bused in from throughout the school district as well as charter and magnet schools. In such situations, how can elementary school free and reduced price enrollment data be used to qualify a day care home as a tier I day care home?
 - A. In a situation when mandatory busing has affected the percentage of free and reduced price eligibles in a neighborhood school, a school may be able to “factor out” the pupils bused in from other areas and provide data on the percentage of free and reduced price eligibles in the school’s immediate neighborhood. For example, some schools may maintain, for mailing purposes, a list of enrolled students by zip code, which could be used to identify pupils residing in low-income areas. However, when this is not possible, census block group data should be used to more precisely ascertain a neighborhood’s income poverty status. Individual providers may also be qualified on the basis of household income, if area data is not readily available or helpful.

3. **Q.** If there is a conflict between census data and elementary school free and reduced price enrollment data (i.e., a home is eligible as a tier I home using one data source but not the other), how should a determination be made?

- A. Census block group data should not be used when relevant, current-year information on free and reduced price eligibility in neighborhood elementary schools is available. Since census data are collected only once every ten years, and release of the data by the Bureau of the Census typically does not occur until several years after the data are collected, school data are far more current and will, in most cases, more accurately represent current economic conditions in a given area. However, we recognize that there may be certain circumstances which warrant the use of census data to establish a day care home's eligibility as a tier I day care home. For example, census data might be especially useful if the day care home is located in a rural area, where geographically large elementary school attendance areas may obscure localized pockets of poverty which can be identified through the use of census block group data. Similarly, in a case in which school data show an area to be close to the 50 percent threshold (that is, between 40 and 49 percent), census block group data may reveal specific portions of the school's attendance area which are eligible. Based on the above guidance, when the two data sources provide conflicting information, sponsoring organizations should consult with State agencies to make an appropriate judgment on the home's status.
4. Q. Is the use of elementary school free and reduced price enrollment data restricted to specific elementary school attendance zones, or can larger areas (e.g., the entire school district) be utilized?
- A. School district data may not be utilized. Area eligibility determinations using school enrollment data must be made on a school by school basis.
5. Q. When using school data to qualify a day care home as a tier I home, should the sponsor use data from the elementary school that is geographically closest to the day care home, or the school that serves the home?
- A. In accordance with the definition of "tier I day care home" contained in the law and in Section 226.2 of the interim regulations, sponsors must use data from the elementary school that serves the day care home. In most situations, the nearest school will be the one that serves the home, but in some cases it may not.
6. Q. Are State agencies which administer the National School Lunch Program (NSLP) required to provide elementary school boundary information when they provide the list of schools with 50 percent or more free or reduced price eligibles?
- A. No, this is not a State agency responsibility. However, school boundary information is public information and should be available from school districts. We are asking schools to provide boundary information directly to sponsoring organizations at their request. Therefore, sponsors should request boundary information from local school districts, and notify their State agency immediately if they have difficulty obtaining this information.

7. Q. In a situation in which residents of an area are not assigned to attend a specific elementary school, but rather may choose from among several schools to attend, how should elementary school free and reduced price data be used? Should sponsors use data from the school that a particular provider's children attend?
- A. Since data from any one of the schools that students in the area may attend does not provide a complete assessment of the socioeconomic status of the area as a whole, school data is not appropriate in this case. Instead, to classify day care homes located in such an area, sponsors should use either census data or the individual provider's household income to determine the home's tiering category.
8. Q. The law specifies that a tier I determination based upon elementary school free and reduced price enrollment data is valid for three years. If free and reduced price enrollment data changes to less than 50 percent in year two or three, must the sponsor reclassify the tiering status of the home? Similarly, if an elementary school attendance area changes in year two or three, must the sponsor reevaluate the tiering status of the home?
- A. No. However, when determining the status of new providers who enter the program, the sponsoring organization is required to use the most recent data available. Although this may result in two providers in the same neighborhood being classified differently, the sponsoring organization is not required to reevaluate the tiering status of a home until the three-year period expires.

However, Sections 226.6(f)(9) and 226.15(f) of the interim regulation provide the sponsoring organization, the State agency, and the Department with the authority to change a home's determination if information becomes available that demonstrates that a home is no longer in a qualified area. This authority provides the sponsor and the State agency with the flexibility to respond to different circumstances as appropriate. For example: (1) if the economic conditions of a particular area improve substantially over a short period of time, homes in that area should be reclassified by the sponsor; and (2) if elementary school boundary changes cause a minor shift in free and reduced price enrollment (such as from 52 percent to 48 percent), sponsors would not be able to qualify new homes entering the program as tier I homes, but there is no compelling reason to change previously-classified tier I homes until the three-year period is expired.

9. Q. Since the law specifies that a tier I determination based on elementary school data is valid for three years, can a sponsoring organization use the 1996/1997 elementary school free and reduced price enrollment data for three years?
- A. No. Updated elementary school free and reduced price enrollment data must be used each year. The sponsoring organization must use the most recent available data for classifying new homes as they enter the program. As indicated above, this

may result in two providers in the same neighborhood being classified differently since the sponsoring organization is not required to reevaluate the status of a home until the three-year period expires.

10. Q. Can sponsors use free and reduced price eligibility information from private schools as well as public schools?

A. No. In contrast to private schools, public schools generally draw from specifically defined geographic attendance areas. Therefore, sponsors are required to use free and reduced price elementary school data from public schools in making tier I area determinations.

11. Q. How will area eligibility on military bases be determined?

A. The special tabulation of census data excludes military personnel residing on military bases. Therefore, sponsors attempting to qualify day care homes located on military bases as tier I day care homes should use elementary school data or the provider's household income.

12. Q. When using area data to determine the tiering status of providers who operate day care homes in residences other than their own, should the sponsoring organization consider where the provider lives, or where the provider operates the day care service?

A. A sponsoring organization must always consider where the care is provided when determining whether a day care home qualifies as a tier I home on the basis of area data. For example, a provider who herself lives in a low-income area, but who provides care for children in a residence in a non-low-income area, would not qualify as a tier I day care home on the basis of area data. Such a provider could only qualify as a tier I home by demonstrating, as verified by the sponsoring organization, that her household income is at or below 185 percent of poverty.

13. Q. If the provider's income is used to determine eligibility for tier I rates, does the sponsoring organization have to retain the documents used to verify the provider's income?

A. If the income eligibility statement is verified by documents submitted by the household, the sponsoring organization must either retain the documents or a photocopy of the documents. If that is not possible, the relevant information can be copied from the document. The sponsoring organization must copy enough of a record to verify eligibility, including the type of document, e.g., an authorization to purchase food stamps (ATP) card or pay stub; time period or eligibility of income, income shown on the document, and the date of the document. If other sources are used to document eligibility, such as the food stamp office or collateral

contacts, records of those sources and the information received must be documented as well.

Tier II Day Care Homes

- 1. Q.** Is a sponsor required to offer a tier II day care provider the option of having the sponsor identify income and categorically eligible children enrolled in care?

A. Yes.
- 2. Q.** Can the household of a child in care in a tier II home be required to complete and submit an income eligibility statement?

A. No.
- 3. Q.** Can a tier II provider increase the day care fee, or assess a separate meal charge, to households which are not eligible for tier I rates or households which decline to submit an income eligibility statement?

A. Section 226.18(d) specifically prohibits day care home providers from assessing separate charges for meals served to enrolled children. Within this limitation, providers are free to establish and change their day care fees as they see fit. Typically, providers charge fees that include the cost of meals served to the children. Therefore, providers may charge various fees or rates for children in their care, as long as a separate meal charge is not assessed.
- 4. Q.** Is it permissible for providers to distribute income eligibility statements to individual households of enrolled children in tier II homes, rather than the sponsor, as long as the completed income eligibility statements are sent directly to the sponsor?

A. Unless a State agency has prohibited this practice, providers in tier II homes are permitted to distribute income eligibility statement forms to individual households of enrolled children as long as the completed income eligibility statements are sent by households directly to the sponsor. Some sponsors may believe this practice will facilitate the income eligibility statement process, while maintaining the confidentiality of the income information provided by households. However, sponsors should ensure that the confidentiality of the households is not compromised.
- 5. Q.** Will providers of tier II day care homes be informed of the eligibility status of enrolled children?

A. The provider is not permitted to see the individual income eligibility statements nor may the provider be informed as to the eligibility status by name of the children in care. However, in accordance with Section 226.23(e)(1)(i), sponsors will be

permitted to inform providers in tier II homes of the number of children in each eligibility category. This will assist providers in more accurately tracking their reimbursement, while protecting the confidentiality of the households of enrolled children, as the law intended.

6. Q. Will sponsors be required to inform households completing an income eligibility statement of their eligibility status?
- A. Not routinely. However, the eligibility status of children from households in tier II homes submitting an income eligibility statement should be made available by sponsors to such households upon their request.

Part II

Determination of Individual Household Eligibility based on Income or Categorical Eligibility

Part I provided information on how to:

- classify a home as tier I based on area data;
- verify income or categorical eligibility of the provider as the basis for tier I determination; and
- determine eligibility of the provider's own children for reimbursement.

Part II provides guidance for determining household income or categorical eligibility for either providers in tier I homes or for children enrolled in mixed tier II homes. It gives:

- requirements for income eligibility statements;
- guidance on determining household size and income; and
- guidance on determining categorical eligibility.

To determine if a household or a provider meets the eligibility requirements for tier I reimbursement, the sponsoring organization (SO) must receive a completed income eligibility statement from the household of the child or from the provider. The SO must compare the household size and the total household income to the income eligibility guidelines for the current year. Alternately, the sponsor may use a completed income eligibility statement that indicates that the household is categorically eligible for tier I rates. When a completed income eligibility statement furnished by a family indicates that the household meets the tier I eligibility criteria, meals served by an eligible provider or to an eligible child in care may be reimbursed at the tier I rates.

Income or categorical eligibility must be determined on an annual basis.
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In mixed tier II homes, individual eligibility information must be collected for all enrolled children for whom tier I rates will be claimed at least once each year. USDA's income and household size guidelines, annually provided by the administering agency, are the same as those used for determining eligibility under the National School Lunch and School Breakfast Programs and are updated annually.

The eligibility criteria explained in this section also apply to the eligibility determination of providers as tier I day care home providers. However, note that in these cases, the income must be verified as explained under Verification of Provider's Income in Tier I Day Care Homes on page 8.

When the income or categorical eligibility information furnished by the family is not complete or is not within the income eligibility guidelines for the household size, the sponsor must consider the children from that family as not eligible for tier I reimbursements and must reimburse all meals served to those children at the tier II rates.

Requirements for an Income Eligibility Statement Form

Income eligibility statement forms must provide space for the following information:

1. names of all individuals in the household for whom application is made;
2. names of all other household members;
3. all income received in the prior month by each member of the household and the source of that income;
4. signature and social security number of an adult member of the household (or an indication that he/she does not have a social security number)
5. a Privacy Act statement which states that:
 - a. the disclosure of a social security number is voluntary; however, a social security number is required for approval of the income eligibility statement;
 - b. the social security number is required under provisions of the National School Lunch Act; and
 - c. what uses will be made of the social security number.
6. information on how to make application for a foster child or a statement to contact the sponsoring organization for information on how to apply for a foster child.
7. a statement directly above the signature block to certify that:
 - a. the person signing is furnishing true information and to advise that person that the application is being made in connection with the receipt of Federal funds;
 - b. that the State agency sponsoring organization may verify the information on the income eligibility statement; and
 - c. that deliberate misrepresentation of the information may

subject the applicant to prosecution under State and Federal statutes.

See the **Appendix** for examples:

- Attachment A-1, Sample Letter to Provider;
- Attachment A-2, Format for Income Eligibility Guidelines;
- Attachment A-3, Sample Income Eligibility Statement for Providers;
- Attachment A-4, Instructions for Income Eligibility Statement for Providers;
- Attachment A-5, Verification Information;
- Attachment B-1, Sample Letter to Households;
- Attachment B-2, Format for Income Eligibility Guidelines;
- Attachment B-3, Sample Income Eligibility Statement for Households;
- Attachment B-4, Instructions for Income Eligibility Statement for Households;
- Attachment C-1, Sample Letter for Provider's own Children;
- Attachment C-2, Format for Income Eligibility Guidelines;
- Attachment C-3, Sample Income Eligibility Statement for Provider's own Children; and
- Attachment C-4, Instructions for Income Eligibility Statement for Providers own Children.

Information must be obtained on a form that is completed, signed, and submitted by the provider, or in the case of a child, submitted and signed by the child's parent or guardian, or by another household adult.
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Foreign Language Translations

Where a significant number or proportion of the population eligible to be served needs information in a language other than English, reasonable efforts should be made by the sponsoring organization, considering the size and concentration of such population, to send appropriate non-English language household letters or notices and income eligibility statement forms to such households.

What must be included on an Income Eligibility Statement to Determine Income Eligibility

Providers or children enrolled in tier II homes who are not categorically eligible (as explained below) may be certified as eligible based on household size and income. A complete income eligibility statement for these providers or children must contain:

1. name of the provider (for a provider income eligibility statement) or names of all children participating in CACFP (for a household income eligibility statement in a tier II home);
2. names of all other household members;
3. all income received by household members in the prior month and the source of that income;
4. social security number of an adult household member or an indication that he/she does not have one; and
5. signature of the provider (for provider income eligibility statement) or an adult member of the household (for a household income eligibility statement in a tier II home).

What must be Included on an Income Eligibility Statement to Determine Categorical Eligibility

Providers or children who are members of food stamp households, households participating in certain State programs for Temporary Assistance to Needy Families (formerly Aid of Families with Dependent Children), or members of households participating in the Food Distribution Program on Indian Reservations (FDPIR) are automatically eligible. Income eligibility statements from these households must provide:

1. the name of the provider (for a provider income eligibility statement) or the name of child/children participating in the CACFP (for a child enrolled in a tier II home);
2. food stamp, FDPIR or TANF case number; and
3. the signature of the provider (for a provider income eligibility statement) or of an adult member of the household (for a child enrolled in a tier II home).

NOTE: Those children enrolled in tier II homes who are participating in or subsidized under one of the "expanded" categorically eligible programs (that is, a "federally or State supported child care or other benefits program with an income eligibility limit that does not exceed" 185% of poverty) may be determined categorically eligible based on providing this information on an income eligibility statement.

What must be Included on an Income Eligibility Statement to Determine Eligibility for a Foster Child

A foster child who remains the legal responsibility of the welfare or social services agency or court is considered a household of one. Only his or her personal earnings, gifts, and funds provided by the public authority that are identified specifically for the child's personal use, must be reported. An application on behalf of a foster child must include:

1. the name of the foster child participating in the CACFP;
2. an indication that the child is legally a foster child,
3. the amount of money the foster child receives for his/her personal use; and
4. the signature of an adult member of the foster child's household.

NOTE: A child who does not meet the definition of a foster child (that is who is **not** the legal responsibility of a welfare agency or court) must be considered a member of the household.

The sponsor must have a valid income eligibility statement on file for each child in a mixed tier II home who is served a meal that is claimed for tier I reimbursement. A valid income eligibility statement is one that is complete and has been currently and correctly approved for tier I eligibility.

NOTE: An exception to this rule is that, when a State or Federal voucher or other document for an income eligible program is used in lieu of an application, a copy of that voucher must be maintained on file. Contact your State agency for more information on the use of vouchers in lieu of applications.

Determining Individual Household Income Eligibility

Determining Household Size

The sponsoring organization must compare the household size and the total household income to the income eligibility guidelines for the current year. The following guidelines should be helpful to sponsoring organizations in determining household size.

Definition of a Household: A group of related or unrelated individuals who are not residents of an institution or boarding house, but who are living as one economic unit. As one economic unit they would share housing and/or significant income and expenses of its members. Generally individuals residing in the same house are one economic unit. However, if more than one economic unit reside together in the same house, they are usually characterized by prorating expenses and economic independence from one another.

Special Situations

Adopted child - an adopted child is one for whom a household has accepted legal responsibility and is considered to be a member of the household.

Child attending an institution - a child who attends but does not reside in an institution is considered a member of the household in which he/she resides.

Child away at school - a child who is temporarily away at school (e.g., attending boarding school or college) should be counted as a member of the household.

Child living with one parent, relative or friends - in cases where no specific welfare agency or court is legally responsible for the child or where the child is living with one parent, other relatives or friends of the family, the child is considered to be a member of the household with whom he/she resides.

Family members living apart - family members living apart on a **temporary** basis are considered household members. Family members not living with the household for an **extended** period of time are not considered members of the household for

purposes of determining eligibility, but any money made available by them or on their behalf for the household is included as income to the household,

Joint custody - in cases where joint custody has been awarded and the child physically changes residence, the child is part of the household where he/she resides. Therefore, the child's eligibility could change depending on the rotating time periods at each household.

Institutionalized family members - an institutionalized spouse or other member of the household away for extended periods, should not be considered a member of the household.

Temporary emergency residential care - in a family day care situation when a child is housed with a provider on an emergency basis, regular program meals served to the child may be claimed by the provider for up to 3 consecutive calendar days. In these situation, the child is **not** considered part of the provider's household. See FCS Instruction 776-4 for further information.

Foster child - a foster child is a child who is living with a household but who remains the legal responsibility of the welfare agency or court. Such a child is considered a household of one. A child who is **not** legally placed with the family by a court or other government agency is not considered a foster child for purposes of eligibility determination but is considered a member of the household.

Children of parents of foster children - when parents of a foster child (as defined above) apply for benefits for their own children, they should not include foster children as household members or include the payments provided by the welfare agency for the care of the foster child as income to the household. Each foster child is a household of one and is not, therefore, included in the household of the foster parent.

Determining Household Income

Households must report current income on the income eligibility statement. Current income means income received by the household during the month prior to application. If this income is higher or lower than usual and does not fairly or accurately

represent the household's actual circumstances, the household may project its annual rate of income based on guidelines identified below.

Definition of income - income is any money received on a recurring basis, including gross earned income (unless specifically excluded by legislation). Specifically, gross earned income means all money earned **before** such deductions as income taxes, employee's social security taxes, insurance premiums, and bonds. Income includes the household's gross earnings, wages, welfare, pension, alimony and child support payments, unemployment compensation, social security, and additional cash received or withdrawn from any other sources, including savings, investments, trust accounts, and other resources.

Reportable income: Income that must be reported includes:

*** Earnings from work**

Wages, salaries, tips, commissions, net income from self-owned businesses and farms, strike benefits, unemployment compensation, workers' compensation.

*** Welfare/child support/alimony**

Public assistance payments, welfare payments (TANF benefits in certain States, Aid to Dependent Children, General Assistance, General Relief, etc.), alimony, child support payments; BUT NOT FOOD STAMP BENEFITS.

*** Pensions/retirement/social security**

pensions, retirement income, social security, supplemental security income and veteran's payments.

*** Any other income**

Net rental income, annuities, net royalties, disability benefits, interest, dividend income, cash withdrawn from savings, income from estates, trusts, and/or investment, regular contributions from persons not living in the household, and any other money that may be available to the family.

Income Exclusions

Some income does not have to be reported or counted as income in the determination of a household's eligibility for free and reduced price benefits. These exclusions include:

* **Student financial assistance** - provided for the costs of attendance at an educational institution, such as grants and scholarships, awarded to meet educational expenses.

* **loans** - such as bank loans, since these funds are only temporarily available and must be repaid.

* **the value of in-kind compensation** - such as military on-base housing or any other noncash benefit.

* **occasional earnings** - received on an irregular basis, e.g. not recurring, such as payment for occasional baby-sitting or mowing lawns.

***cash income or benefits from Federal programs that are excluded by legislation. These include**

(1) the value of assistance to children and their families under the National School Lunch Act, the Child Nutrition Act of 1966, and the Food Stamp Act of 1977;

(2) reimbursements from the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970;

(3) any payment to volunteers under Title I (VISTA and others) and Title II (RSVP, foster grandparents, and others) of the Domestic Volunteer Service Act of 1973 to the extent excluded by that Act;

(4) payments to volunteers under section 8(b)(1)(B) of the Small Business Act (SCORE and ACE);

(5) income derived from certain submarginal land of the U.S. that is held in trust for certain Indian tribes;

(6) payments received under the Job Training Partnership Act'

(7) income derived from the disposition of funds to the Grand River Band of Ottawa Indians;

(8) payments received under the Alaska Native Claims Settlement Act;

(9) payments by the Indian Claims Commission to the Confederated Tribes and Bands of the Yakima Indian Nation or the Apache Tribe of the Mescalero Reservation;

(10) payments to the Passamaquoddy Tribe and the Penobscot Nation or any of their members received pursuant to the Maine Indian Claims Settlement Act of 1980;

(11) student financial assistance received under Title IV of the Higher Education Act of 1965, including the Pell Grant Supplemental Education Opportunity Grant, State Student Incentive Grants, National Direct Student Loan, PLUS, College Work Study, and Byrd Honor Scholarship Programs, to the extent excluded by the Act;

(12) Agent Orange Settlement Payments to veterans, that have been excluded under Public Law 101-201;

(13) payments received under the civil Liberties Act of 1988; .
and

(14) TANF and Child Care Development Block Grant Fund (P.L. 104-193) benefits.

Note: Since programs are periodically added to the above list, institutions should contact the State agency if there is a question of whether a specific payment should be excluded as income.

Special Situations

Alimony and child support - any money received by a household in the form of alimony or child support is considered as income to the receiving household. However, any money paid out for alimony or child support may **not** be deducted from the household's reported gross income.

Garnisheed wages and bankruptcy - income is the gross income received by a household before deduction. In the case of garnisheed wages and income ordered to be used in a specified manner, the total gross income must be considered regardless of whatever portions are garnisheed or used to pay creditors.

Lump sum payments - lump sum payments or large cash settlements are not counted as income since they are not received on a regular basis. These funds may be provided as compensation for a loss that must be replaced, such as payment from an insurance company for fire damage to a house. When lump sum payments are put into a savings account and the household regularly draws from the account for living expenses, the amount withdrawn is counted as income.

Military benefits - Military benefits received in cash, such as housing allowances for military households living off base and

food or clothing allowances, must be considered as income. An in-kind benefit, such as on-base housing, is not counted. Off-base housing allowances are counted as income when the value of on-base housing is not because income is defined as all **cash** received on a recurring basis. In-kind benefits, by definition, are not cash payments and, therefore, are not considered income for the purpose of determining free and reduced price eligibility.

Determining Income for the Self-employed Provider

For self-employed providers, the sponsoring organization will use the **net** income from their day care home and any other income to the household as the basis of determining eligibility for tier I reimbursements.

Net income is defined as gross receipts – such as money received from parents for the care of their children and reimbursements received from the sponsoring organization under the CACFP program – **less operating expenses** – such as the cost of food for meals served to the children in their care.

The provider may **not** deduct **more** than the amount received as CACFP reimbursement for the cost of food for meals served to children as a cost of doing business. Essentially, then, net income as a self-employed provider should be the money received from parents and any difference between CACFP reimbursements and food costs. In addition:

- One time expenses, such as licensing costs may be deducted from annual income only (or pro-rated on an annual basis).
- net income to the provider may **not** be a loss that is deducted from other income received by the household

Net income for a self-employed provider should be added to any other money received by the household such as child support, welfare, pensions, or the earnings of a spouse or other household member in order to determine eligibility for tier I reimbursement.

A new provider with no other income may be certified for tier I reimbursement for 45 days in the same way that any other household that reports “0” income may be certified on a temporary basis. As verification, the provider may submit a brief note explaining how food, clothing and housing for the household are provided. At the end of the 45 day period, the

provider's household income would need to be recalculated based on payments received from parents for care. As an alternative, the provider could indicate anticipated income for the month from children already enrolled in the program, knowing that a recalculation will be made in 45 days when her situation is more established.

NOTE: The sponsoring organization may use income tax forms as verification for self-employed persons. However, income is defined differently for USDA income eligibility programs than income is defined by the Internal Revenue Service (IRS) for income tax purposes. Please refer to separate guidance on the use of the form 1040 as verification of income for self-employed persons.

Income for Other Self-employed

All other self-employed persons, are also credited with **net** income rather than gross income. Net income for self-employment is determined by subtracting business expenses from gross receipts.

Gross receipts - include the total income from goods sold or services rendered by the business. For

Deductible business expenses - include the cost of goods purchased, rent, utilities, depreciation charges, wages and salaries paid, and business taxes (**not** personal Federal, State or local income taxes.)

Non-deductible business expenses - include the value of salable merchandise used by the proprietors of retail businesses.

Net Income for Self-employed Farmers

Net income is figured by subtracting the farmer's operating expenses from the gross receipts.

Gross receipts- include the value of all products sold; money received from the rental of farm land, buildings, or equipment to others; and incidental receipts from the sale of items such as wood, sand or gravel.

Operating expenses - include cost of feed, fertilizer, seed and other farming supplies; cash wages paid to farm hands; depreciation charges; cash rent; interest on farm mortgages; farm building repairs; and farm taxes (**but not** local, State and Federal income taxes).

Self employed persons may use last year's reported income as a basis to project their current year's net income, unless their current net income provides a more accurate measure.

For a household with income from both wages and self-employment, each amount must be listed separately. When there is a business loss, income from wages may **not** be reduced by the amount of the business loss. If income from self-employment is negative, it should be listed as zero income.

Projected Income for Seasonal Workers and Others

Seasonal workers, such as migrants and others whose income fluctuates, usually earn more money in some months than in other months. Consequently, the previous month's income will commonly distort the household's actual circumstances. In these situations, the household may project its annual rate of income and report this amount as its current income. If the prior year's income provides an accurate reflection of the household's current annual rate of income, the prior year may be used as a basis for the projected annual rate of income.

NOTE: The sponsoring organization may use income tax forms as verification for self-employed persons. However, income is defined differently for USDA income eligibility programs than income is defined by the Internal Revenue Service (IRS) for income tax purposes. Please refer to separate guidance on the

use of the form 1040 as verification of income for self-employed persons.

Determining Categorical Eligibility

A provider who is a member of a food stamp or FDPIR household, or who participates in certain State programs for Temporary Assistance to Needy Families (formerly Aid of Families with Dependent Children), is categorically eligible as a tier I day care home provider. The sponsor must verify this information. (See page 8 for further information on verifications of provider's eligibility for tier I classification.)

A child who is enrolled in a tier II home is also categorically eligible for tier I reimbursement if they meet the same criteria. That is, a child who is member of a food stamp or FDPIR household, or who participates in certain State programs for Temporary Assistance to Needy Families (formerly Aid of Families with Dependent Children), is categorically eligible for tier I reimbursement.

In addition, a child enrolled in a tier II home may also meet the "expanded" categorically eligible criteria if they are participating in or subsidized under any "federally or State supported child care or other benefit program with an income eligibility limit that does not exceed" 185 percent of poverty.

The Department will provide a list of Federal programs which are categorically eligible and each State will provide a list of State-funded programs. Since these lists will be revised periodically, the sponsoring organizations should check with their State agency for the latest list.

NOTE: The "expanded" categorical eligibility applies only to children enrolled in tier II homes. It does not apply to a determination of eligibility of the provider for tier I status, or of the provider's own children in tier I day care homes, or to enrollees in other child or adult day care centers.

A categorically eligible household does not have to provide family size and income information. Rather, the food stamp, TANF, FDPIR or other case identification number is required on the signed eligibility statement confirming that the child is a member of a currently certified household.

A complete income eligibility statement for the purpose of determining categorical eligibility for a provider for tier I classification must contain: (1) the name of the provider, (2) a current food stamp, TANF or FDPIR case number, and (3) the provider's signature. The sponsor must verify the information.

A complete income eligibility statement for the purpose of determining categorical eligibility of a child in a mixed tier II home for tier I reimbursements contains: (1) the name of the child, (2) a current food stamp, TANF, FDPIR case number, or the case number or other identifier from a federally or State supported benefit program with an income eligibility limit that does not exceed 185 percent of poverty; and (3) an adult signature. No further income eligibility statement information is required for the sponsor to approve the child to receive tier I reimbursement for meals.

Questions and Answers about Income Eligibility Statements

About Complete Statements

- 1.Q. How much judgment or discretion may a sponsor exercise in determining whether a household does or does not meet the eligibility criteria for benefits?
- A. Frequently questions arise concerning what is to be included as income and what constitutes a household. This guidance is intended to provide guidelines for those individuals making eligibility determinations. The guidance cannot, however, address each individual situation. Sponsors will occasionally have to apply the broad concepts set forth in this guidance to some individual situations. If extremely unusual situations arise, unlike any examples in this guidance, the sponsor should contact the State agency for further guidance, as appropriate.
- 2.Q. If any item of required information is missing from the income eligibility statement, may the sponsor make an eligibility determination on the basis of a sibling statement or must he/she consider the income eligibility statement incomplete and take follow up action?
- A. A sponsor may look to a complete sibling statement for any item of required information except TANF or food stamp information. Since TANF and food stamp categorical eligibility may be made on an individual basis, the determining official **must** either contact the household for that information or consider the statement incomplete.
- The official may staple the incomplete and complete statements together. In lieu of stapling the two statements together, the official may either photocopy the complete statement and staple the photocopy to the incomplete statement, or transfer the information from the complete statement, initial it, and note the source of the information. The complete statement **must** be readily available for review.
3. Q. If any item of required information is missing from the income eligibility statement, may the sponsor complete the statement for the household using information derived from other records available to the sponsor?
- A. No item of required information may be derived from a source other than the household or a sibling statement.
4. Q. A household voluntarily provided pay stubs with the income eligibility statement but did not write the amount of each person's income on the form. All other items were completed. According to the pay stubs, the household is eligible for benefits. What should the sponsoring organization do?

- A. Rather than denying the income eligibility statement or returning the statement to the household, the sponsor may contact the household, by phone or in writing, to ensure that the household submitted all documentation of income. The sponsor should document the contact, enter the information on the statement, and initial and date the action.
5. Q. What is acceptable as an adult signature?
- A. Any printed name or cursive signature appearing in the space following the certification statement is an acceptable signature. We cannot expect all legal signatures to be cursive.
6. Q. Who signs the income eligibility statement for a foster child?
- A. The foster parent or guardian or other official representative for the child **must** sign the income eligibility statement for a foster child; however, the foster parents' or guardians' income, household size, and social security number are not needed on the income eligibility statement.
7. Q. Does income have to be indicated on the income eligibility statement for a foster child?
- A. Yes. The child's income **must** be considered for the eligibility determination. A foster child's income includes funds provided by the welfare agency that are specifically identified by category for the **personal use** of the child, such as for clothing, school fees, and allowances. In addition, other funds received by the child are included as income, for example, money provided by the child's family for personal use. If funds are not specifically identified for personal use, income should be listed as "0," and the income eligibility statement should be approved for a full year.
8. Q. What if there is no income listed (i.e. the item is left blank) on an income eligibility statement? Do I consider it as zero income or should I go back to the household for additional information?
- A. If no income is listed on the income eligibility statement, the sponsoring organization should contact the household for additional information. If the sponsor is unable to contact the household, the statement **must** be denied because it is incomplete.
9. Q. What if the racial/ethnic data collection question is not completed?
- A. Parents' provision of this information is voluntary, and failure to provide the information **must not** affect the child's eligibility for benefits. Sponsors are required to develop alternative means of obtaining racial and ethnic data for

applicants when such information is not voluntarily provided by parents on the income eligibility statement.

About Household Size

1. Q. When foster parents apply for benefits for their own children, do they include their foster children as household members, and do foster parents include the payments provided by the welfare agency for care of the foster children as income to the household?
 - A. No. Since each foster child, including a preschool foster child, is a household of one, foster children are not included in the foster parents' household. Payments received by the household for care of the foster child are intended to be used for the foster child and, therefore, are not included as part of the foster parents' income.

2. Q. What if an older child lives with his/her parents and is required to pay for room and board? Is the child a separate household?
 - A. The child is considered to be a separate household only in those cases where the child is living alone or as a separate economic unit. Separate economic units are usually characterized by the prorating of most household expenses. Most students paying room and board are usually paying a token amount and are not economically independent of their parents and are therefore not considered to be emancipated.

3. Q. How do I determine the eligibility of a household that has some children who are included under a TANF assistance unit and other children who are not under the TANF assistance unit?
 - A. Children in a TANF assistance unit are categorically eligible for free benefits. The income eligibility statement for such children need only contain the child's name, a current TANF number and the signature of an adult household member. The income eligibility statement for children in the same household who do not fall under a TANF assistance unit **must** include the information required of all other households, i.e., name of all household members; social security number of the adult household member who signs the statement or an indication that the household member does not have a social security number; the amount of income each household member receives, and where it comes from (including the amount of the TANF or other welfare grant); and the signature of an adult household member.

About Household Income

1. Q. Why is the off-base housing allowance provided to service personnel counted as income when the value of on-base housing is not?
 - A. Income is defined as all **cash** received on a recurring basis. In-kind benefits, by definition, are not cash payments, and, therefore, are not considered as income for the purpose of determining free and reduced price eligibility. Sponsoring organizations are not in a position to determine the value of in-kind benefits, such as housing for clergy, cars for salespersons, employee medical or dental benefits, etc. The income exclusion for in-kind benefits is uniform throughout the child nutrition programs. To treat in-kind benefits provided to military households differently from in-kind benefits provided to the general population would create an inequity. The fact that the value of military on-base housing is more readily identifiable than other sources of in-kind benefits would not lessen the inequity.
2. Q. If one household owns a housing unit and rents living space to another household, does the household receiving the rental fee have to report this amount as income?
 - A. Yes. Income includes money derived from rent of room(s), apartment(s), etc. If a household receives rental income from another household, it **must** be included as income. The treatment of rental income would be similar to the treatment of self-employment income since expenses for maintenance and upkeep of the rental property could be deducted from gross rental received by the household.
3. Q. If two separate households rent living space (e.g., an apartment or house), and one household gives its portion of the rent to the other household which, in turn, transmits the full rent to the landlord, does the rental income given to the transmitting household count as rental income?
 - A. No. The transmitting household has not received income; rather it is performing a simple financial transaction that does not provide it with additional income.
4. Q. If the household indicates \$0 for income, is that sufficient?
 - A. "Zero income" is sufficient for a temporary approval. Sponsoring organizations should confirm the continued eligibility of a zero income income eligibility statement every 45 calendar days. However, some circumstances may warrant approval of a zero income income eligibility statement for the year, such as for the foster or institutionalized child.

About Categorical Eligibility

- 1. Q.** Will the “expanded” categorical eligibility contained in the law be restricted to children in care in tier II homes, or will it also be extended to child and adult day care centers?
 - A.** The expanded categorical eligibility provided in Section 708(e)(1) of P.L. 104-193 involves households with children in tier II homes in which the child or parent is participating in any Federal or State child care or other benefit program with income standards at or below 185 percent of poverty. Due to its placement in the law, expanded categorical eligibility applies only to children enrolled in tier II day care homes. It does not apply to determinations of eligibility of provider’s own children in tier I day care homes, nor to enrollees in child or adult day care centers.

PART III

Reimbursement Procedures for Tier II Homes with Income Eligible Children

All meals served either in tier I homes or those tier II homes where the provider has chosen **not** to have income eligibility statements taken, will continue to be reimbursed at one rate. That is, providers will be reimbursed based on the number of meals served to enrolled children multiplied by the appropriate annually adjusted reimbursement rates for each breakfast, lunch, supper, and/or snack they are approved to serve at tier I or tier II rates as appropriate.

Tier II homes in which income eligibility statements are taken and meals reimbursed according to the eligibility of the individual child will receive two levels of reimbursement for meals served if one or more of the children's households are determined eligible.

This section explains the reporting options available for use in these homes.

Meal Counting and Reporting

The regulations provide three methods for computing reimbursement. The sponsoring organization has the option to choose which of the three methods listed below they will use for all their day care homes. However, each sponsor must use only one method for all of its homes and may only change the **method** annually.

The three methods for computing reimbursement are:

- total monthly counts of the actual number of meals by type served each day by child, or "actual counts";
- claiming percentages; or
- blended per meal rate.

The claiming percentages and blended per meal rate methods for computing reimbursement are intended to simplify the task of developing and preparing the monthly claim for reimbursement. By using either of these methods, it is only necessary to keep

count of total meals served by meal type (breakfast, lunch, supper, or snack).

If the sponsor chooses to use one of the "simplified" methods, claiming percentage or blended rates, they must adjust them at least semiannually for each home to allow for changes in enrollment in each home.

Actual Meal Counts

Under this method, providers are required to record, and submit to the sponsor, meal counts by each enrolled child's name. Using the information collected and maintained by the sponsor on the income status of each enrolled child, the sponsor identifies and totals the number of meals served which are eligible for tier I reimbursement and the total number of meals served which are eligible for tier II reimbursements.

The sponsor would need to go through this process for each mixed tier II home.

NOTE. In the all the examples below, the reimbursement rates used for lunches are tier I \$1.5750 and tier II \$0.95 (the base rate in effect through June 30, 1997). These amounts were used for illustration. The current rates, adjusted for inflation every year on July 1, should be substituted.

Formula for actual meal counts -

$$\begin{aligned} & \# \text{ of meals served to children eligible for tier I by type} \\ & \text{(breakfast, lunch, supper, or snack)} \\ & \quad \times \\ & \quad \text{tier I rate} \\ & \quad + \\ & \# \text{ of meals served to children eligible tier II by type} \\ & \text{(breakfast, lunch, supper, or snack)} \\ & \quad \times \\ & \quad \text{tier II rate} \\ & \quad = \\ & \text{reimbursement by meal type} \end{aligned}$$

Example of Actual Meal Counts: A day care home served 100 lunches during the course of a month. Of these, 40 were served to children eligible for tier I reimbursement and 60 were served to children to be reimbursed at tier II rates. Using the above formula, the computation for **lunch** reimbursement would be as follows:

Number of tier I lunches served to eligible children during the month x tier I rate = Total tier I reimbursement:

$$40 \times \$1.5750 = \$63.00 (+)$$

Number of lunches served to children to be reimbursed at tier II rates during the month x tier II rate for lunches = Total tier II reimbursement:

$$60 \times \$0.950 = \$57.00 (=)$$

Lunch reimbursement for tier I and tier II:

$$\$63.00 + \$57.00 = \$120.00$$

Claiming Percentages

When reimbursement is calculated on the basis of claiming percentages, the following general formula is used:

Formula for claiming percentages -

$$\begin{array}{c}
 \text{Number of children eligible for tier I (OR tier II)} \\
 + \\
 \text{Total enrollment} \\
 = \\
 \text{Claiming percentage for that category} \\
 \times \\
 \text{Total number of meals by type} \\
 \text{(breakfast, lunch, supper, or snack)} \\
 \text{served during the month} \\
 \times \\
 \text{Reimbursement rate} \\
 = \\
 \text{Reimbursement for tier I (OR tier II)}
 \end{array}$$

Example of Claiming Percentages: Following is a step by step example of how to calculate a claim for reimbursement (**lunches only**) using the claiming percentage method of reimbursement.

5 children are enrolled in a home.
2 are eligible for the tier I reimbursement rate;
3 will receive tier II reimbursement
100 **lunches** are served during the month.

Step #1

Compute claiming percentage for each eligibility category.

2 tier I children ÷ 5 enrolled = 40% of total enrollment
3 tier II children ÷ 5 enrolled = 60% of total enrollment

Step #2

Percentages (40% tier I, 60% tier II) are converted to decimals (.40 and .60), then multiplied by the total number of lunches served during the claim month (100).

100 x .40 = 40 tier I meals
100 x .60 = 60 tier II meals

Step #3

Meals are multiplied by the appropriate rates
(tier I = \$1.5750, tier II = \$0.95)

40 tier I meals x \$ 1.5750 = \$63.00
60 tier II meals x \$ 0.95 = \$57.00

Step #4

The totals are added together to obtain the center's total claim for reimbursement for lunches served during that month.

\$ 63.00 for tier I lunches served
+ 57.00 for tier II lunches served
\$ 120.00 = reimbursement for lunches

Blended Rate

The blended per meal rate is a method of calculating an average rate of reimbursement by meal type. This average rate is multiplied by the total number of meals served in that meal type.

Following is the general formula and a step-by-step example of how to calculate a claim for reimbursement (**lunches only**) using the blended rate method of reimbursement:

Formula for blended rate -

# of children eligible for tier I		# of children eligible for tier II
÷		÷
Total enrollment		Total enrollment
=		=
Claiming % tier I		Claiming % for tier II
x		x
Current tier I rate		Current tier II rate
=		=
Revised tier I rate	+	Revised tier II rate
	=	
Blended rate		
	x	
Total number of meals by type (breakfast, lunch, supper, or snack) served during the month		
	=	
Reimbursement for that meal type		

Example of Blended Rate:

5 children are enrolled in a day care home.
2 are eligible for the tier I reimbursement rate;
3 are eligible for the tier II price reimbursement rate; and
100 **lunches** are served during the month.

Step #1

Compute claiming percentage first:

$$\begin{aligned} 2 \text{ tier I children} \div 5 \text{ enrollment} &= 40\% \text{ or } .40 \\ 3 \text{ tier II children} \div 5 \text{ enrollment} &= 60\% \text{ or } .60 \end{aligned}$$

Step #2

Multiply the claiming percentages times the currently appropriate lunch reimbursement rates for each eligibility category. This gives a revised rate for each category:

	tier I	tier II
Claiming percentage	.40	.60
Appropriate rate	x <u>\$1.5750</u>	x <u>\$0.95</u>
Revised rate	\$0.63	\$0.57

Step #3

Add these revised rates together. This will give you the blended rate for computing reimbursement for lunches.

$$\begin{aligned} \$0.63 &= \text{Revised tier I rate} \\ \underline{0.57} &= \text{Revised tier II rate} \\ \$1.20 &= \text{Blended rate} \end{aligned}$$

Step #4

Multiply the total number of lunches served during the claim month times the blended rate.

<u>Lunches served</u>		<u>Blended rate</u>		<u>Reimbursement for lunches</u>
100	x	\$1.20	=	\$120.00

National Average Payment Rates of reimbursement for meals served, annually adjusted to reflect Consumer Price Index changes, are announced every July 1. The administering agency will notify

participating independent centers and center sponsors of changes in the rates.

Meals that Cannot be Claimed

Meals that cannot be claimed for reimbursement are:

- meals served to any child who is not enrolled for care in the home;
- meals served in excess of the home's licensed or authorized capacity;
- meal types not approved in the home's agreement with the sponsoring organization;
- meals served that are in excess of the two meals and a snack (or one meal and two snacks) claimed daily for each enrolled child;
- meals that do not meet the meal pattern requirements;
- meals served to the provider's own children unless they have been determined to be income eligible; and
- meals served to the provider's own children when no other enrolled children are participating.

Claims for Reimbursement

All sponsoring organizations must submit to the administering agency accurate monthly reports on the total number of meals served. These monthly reports are submitted on Claim for Reimbursement forms. Claims for reimbursement should be submitted to the administering agency as early as possible following the last day of the month covered by the claim, but must be postmarked no later than 60 days after that date, unless the State agency has established an earlier submission deadline. Late claims for reimbursement may be delayed or denied by the administering agency.

When a Program operates for more than 10 days in a month, a separate claim for reimbursement form must be submitted for that month. When, however, meals are served on 10 days or less, the claim for meals served in that month can be combined with the claim for the past or following month unless the State agency requires separate forms. Since claims cannot combine operations in two fiscal years, operating days in September and October cannot be combined. Therefore, if meals were served on 10 days or less in the first month of the fiscal year (October), the claim for those days can be combined with the second month's (November) claim or if meals were served on 10 days or less in the last month of the fiscal year (September), the claim for those days can be combined with the prior month's (August) claim.

It is important to file the claim quickly and correctly. Late or incorrect submission of the claim forms can impact timely payment from the administering agency which has the option (for good reason) to adjudicate a late claim submission.

GLOSSARY

Child and Adult Care Food Program (CACFP): a program authorized under Section 17 of the National School Lunch Act which provides assistance to States to initiate and maintain nonprofit food service programs for children or adult participants in nonresidential institutions which provide care. The Program is intended to enable such institutions to integrate a nutritious food service with organized care services for enrolled participants. Payments are made to State agencies or FCS Regional Offices to enable them to reimburse institutions for food service to enrolled participants.

categorical eligibility: a child or day care provider who is a member of a household participating in the food stamp program, Food Distribution Program on Indian Reservation, or certain State programs for Temporary Assistance to Needy Families (formerly Aid to Families with Dependent Children). The household must provide current food stamp or current assistance case numbers on the income eligibility statement for free and reduced price meals to establish their categorical eligibility. In the case of a provider, the status must be verified using outside verification before determining that the provider is eligible for tier I reimbursement for meals served in the day care home. Meals served to the categorically eligible child automatically qualify for tier I reimbursement.

day care home: a home that provides day care for children and is: (1) located in a residential dwelling -- the provider's own private residence, the private residence of another person, or an unoccupied private residence; (2) licensed or approved as a family or group day care home; and (3) providing care less than 24 hours a day (except for the "provider's own children" defined elsewhere).

economic unit: a group of related or unrelated people who share housing and/or all significant income and expenses of its members. Generally individuals residing in the same house are an economic unit. However, more than one economic unit may reside together in the same house. Separate economic units in the same house are characterized by prorating expenses and economic independence from one another.

expanded categorical eligibility: children in tier II homes participating in or subsidized under any "federally or State supported child care or other benefit program with an income eligibility limit that does not exceed " 185 percent of poverty. Meals served to these children are automatically eligible for tier I reimbursement. Expanded categorical eligibility does not apply to a provider's classification as a tier I home, to the eligibility of the provider's own children, or to participants in other child or adult day care centers.

family: a group of related or unrelated individuals who are not residents of an institution or boarding house, but who are living as one economic unit. (Used interchangeably with household.)

Food and Consumer Service (FCS): the agency within the U.S. Department of Agriculture that is responsible for administering the Child and Adult Care Food Program and other food assistance programs.

Food Distribution Program on Indian Reservations (FDPIR): a program which distributes monthly commodity food packages to eligible Indian households living on or near an Indian reservation.

FCSRO: the Food and Consumer Service regional office.

food stamp household: any individual or group of individuals currently certified to receive benefits under the Food Stamp Program.

foster child: a child who is the legal responsibility of a welfare agency or court. Such a child may be certified as eligible for free meals regardless of household income. Foster children are considered a household of one. A child who has **not** been legally placed in the home by a court or other agency of the government is considered a member of the household.

household: a group of related or unrelated individuals who are not residents of an institution or boarding house, but who are living as one economic unit. (Used interchangeably with family.)

income: any money received on a recurring basis, including gross earned income (unless specifically excluded by legislation). Specifically, gross earned income means all money earned **before** such deductions as income taxes, employee's social security taxes, insurance premiums, and bonds. Income includes the household's gross earnings, wages, welfare, pension, alimony and child support payments, unemployment compensation, social security, and additional cash received or withdrawn from any other sources, including savings, investments, trust accounts, and other resources.

income eligible: any child or provider from a household whose current income is at or below the household size/income levels set forth in the income eligibility guidelines (IEGs). The household must provide household size and income information on the income eligibility statement for free and reduced price meals to enable the sponsoring organization to compare the household information to the IEGs. Meals served in the income eligible provider's home or to the income eligible child are eligible for tier I reimbursement.

Income Eligibility Guidelines (IEGs): the household size and income levels prescribed annually by the Secretary of Agriculture for determining eligibility for free and reduced price meals and for free milk. The free guidelines are 130 percent of Federal poverty guidelines and the reduced prices guidelines are 185 percent of the annual poverty guidelines. The guidelines for reduced price meals (set at 185 percent of poverty

guidelines) are also used to determine the eligibility of a provider or child to receive tier I reimbursement for meals served in the Child and Adult Care Food Program.

income eligibility statement (IES): the application form used to collect information from individual households to determine either categorical or income eligibility for tier I reimbursement for meals served to children while in family day care homes. A provider must submit an income eligibility statement to the sponsoring organization in order to receive reimbursement for meals served to her own children while in care. The provider may also submit an income eligibility statement with verification to the sponsor in order to be determined eligible to receive tier I reimbursements for meals served to children in her family day care home.

mixed tier II homes: tier II homes (see definition below) that receive some combination of tier I and tier II reimbursement rates for meals served to enrolled children. The provider will receive tier I rates for meals served to children who have been determined to be eligible based on household size and income or receipt of categorically eligible benefits, and tier II rates for meals served to all other children.

overt identification: any act that openly identifies children as eligible to receive meals reimbursed at the higher tier I rates in the Child and Adult Care Food Program.

provider's own children: all residential children in the provider's household who are part of the economic unit of the family. A family is a group of related or unrelated individuals who are not residents of an institution or boarding house, but who are living as one economic unit. Therefore, provider's own children include children by birth or adoption, grandchildren or housemates' children who are part of the economic unit. Informal extended family situations frequently exist in low-income areas and all such children should be included in the provider's household. Children whose parents or guardians have made a contractual agreement, either formal or informal, with a provider for residential care, and whose relationship is defined primarily by the child care situation, are not considered the "provider's own". Foster children are considered a household of one.

State Agency (SA): either: (1) the State education agency or (2) any other agency of the State designated by the governor or other appropriate executive or legislative authority of the State and approved by USDA to administer the Child and Adult Care Food Program.

Temporary Assistance for Needy Families (TANF): a block grant to States authorized under the "Personal Responsibility and Work Opportunity Reconciliation Act of 1996" (P.L. 104-193) which allows States to provide assistance to needy families with children and provide parents with job preparation, work and support service to enable them to leave the program and become self-sufficient. It replaces the Federal programs of Aid to Families with Dependent Children (AFDC), Job Opportunities and Basic Skills (JOBS), and Emergency Assistance (EA).

tier I day care home: a day care home that has been determined by the sponsoring organization as eligible for higher tier I reimbursement for meals served because it is either: (1) located in an area served by a school enrolling elementary students in which at least 50 percent of the total number of children enrolled are certified eligible to receive free or reduced price meals; or (2) located in a geographic area, as defined by FCS based on census data, in which at least 50 percent of the children residing in the area are members of households which meet the income standards for free or reduced price meals; or (3) operated by a provider whose household meets the income standards for free or reduced price meals, based on a completed income eligibility statement, which has been verified by the sponsoring organization of the home.

tier II day care home: a family or group day care home that does **not** meet the criteria for a tier I family or group day care home. That is, it would **not** be located in an area that meets the 50 percent free or reduced price eligibility criteria using either appropriate area data and the provider's household income would **not** be below 185 percent of the Federal income poverty guidelines. Such a home would receive the lower, tier II reimbursement for meals served.

verification: confirmation of a provider's eligibility for tier I status under the Child and Adult Care Food Program. Verification must include either confirmation of income eligibility or confirmation that the provider is included in a currently certified food stamp or Food Distribution to Indians (FDPIR) household or certain State (formerly Aid to Families with Dependent Children) assistance unit. At State or local discretion, verification may also include confirmation of (1) names of all household members; (2) social security numbers of the adult household member used on the income eligibility statement or an indication that the household member does not possess one; and (3) signature of adult member of the family.

United State Department of Agriculture (USDA): the Federal agency designated by Congress to administer the Child and Adult Care Food Program and other food assistance programs.

APPENDIX