

**Alabama State Department of Education  
Child Nutrition Programs  
Child and Adult Care Food Programs  
Proposed Budgets and Budget Approval Policies**

Proposed Budgets

1. Proposed budgets submitted by sponsoring organizations must include all anticipated costs, income, and carry-over funds associated with the Program. Proposed budgets from independent centers may include only the costs to be paid with CACFP funds.
2. If budgeted costs exceed the anticipated CACFP reimbursement, the budget must indicate how these costs will be covered with non-Program funds. The budget must also identify non-Program funds that are available to pay for overclaims and unallowable costs.
3. Costs that are shared with other activities must be properly allocated.
4. All costs in the proposed budget must be necessary, reasonable, allowable, allocable, and appropriately documented. This requirement addresses Performance Standard 1 Financial Viability and Financial Management and Performance Standard 3 Program Accountability.
5. New sponsoring organization budgets are typically approved to use federal CACFP funds for food, food labor, food supplies, and up to 15% of the anticipated meal reimbursements for administrative costs (not including cash in lieu for donated foods).
6. New independent center budgets are typically approved to use federal CACFP funds for food, food labor, and food supplies.
7. Renewing sponsoring organizations and independent centers who have demonstrated effective management of CACFP funds may request additional categories in the proposed budget. Effective management is determined by having no outstanding serious deficiencies related to meal pattern or budget requirements. The most common budget categories to add after the first year are:
  - a. Operating expenses, such as food service equipment and purchased services.
  - b. Administrative expenses, such as labor costs for administrative staff, office supplies and equipment, and purchased services.

Approval of Budgets

1. The proposed budget allows the Alabama State Department of Education (ALSDE) to assess financial viability. CACFP staff review all proposed budgets to determine:
  - a. If the overall budget is reasonable based on enrollment, reimbursement rates, and projected operating and administrative costs.
  - b. If the expected reimbursement is reasonable based on the minimum plate cost determined by the ALSDE each year.
  - c. If each cost is necessary, reasonable, allowable, allocable, and appropriately documented.
  - d. If the proposed budget identifies non-Program funds that are available to allow continued operations of the Program in the event of:
    - i. Overclaims or unallowable costs.
    - ii. Unanticipated interruption in receiving CACFP reimbursements.

2. CACFP staff review the proposed budgets of sponsoring organizations of centers to verify administrative costs do not exceed 15 percent of meal reimbursements during the budget year.
3. All expenses require prior approval as part of the application process for new and renewing sponsors or through amendments to approved budgets. Some expenses require “specific” prior written approval from the ALSDE or approval from the U.S. Department of Agriculture (USDA) Food and Nutrition Service (FNS). The ALSDE uses *FNS Instruction 796-2, Rev. 4 Financial Management—Child and Adult Care Food Program* to determine if a proposed cost is allowable and whether special approval is required.

Approval date: 8-19-2025

### **Appendix: Link to Resources**

#### **Compliance with Performance Standards**

7 CFR 226.6(b)(1)(xviii)

[eCFR.gov | 7 CFR 226.6\(b\)\(1\)\(xviii\)](#)

#### **State Agency Review of Administrative Budgets of Sponsoring Organizations**

7 CFR 226.6(b)(2)(iii)(B)

[eCFR.gov | 7 CFR 226.6\(b\)\(2\)\(iii\)\(B\)](#)

#### **Budget Approval**

7 CFR 226.7(g)

[eCFR.gov | 7 CFR 226.7\(g\)](#)

#### **Financial Management—Child and Adult Care Food Program**

FNS Instruction 796-2, Revision 4

[FNS | USDA.gov | FNS Instruction 796-2, Revision 4](#)

#### **USDA Guidance for Management Plans and Budgets: A Child and Adult Care Food Program Handbook**

[FNS | USDA.gov | Guidance for Management Plans and Budgets](#)