

*Additional Information:*

United States Department of Agriculture Uniform Federal Assistance Regulations, 7 CFR Parts 3016, 3019, and 3052.

[www.gpo.gov/nara/cfr/index.html](http://www.gpo.gov/nara/cfr/index.html)

United States Department of Agriculture, Child and Adult Care Food Program Regulation, 7 CFR Part 226.

[www.usda.gov/cnd](http://www.usda.gov/cnd)

United States Department of Agriculture, Food and Nutrition Service, Instruction 796-2, Rev. 3, Financial Management -Child and Adult Care Food Program.

Office of Management and Budget Circulars: A-87, August 29, 1997; A-102, March 11, 1988; A-110, November 29, 1993; A-122, June 1, 1998; and A-133, June 24, 1997.

[www.whitehouse.gov](http://www.whitehouse.gov)

United States General Services Administration, Federal Acquisition Regulations, 48 CFR Part 31.

[www.gsa.gov](http://www.gsa.gov)

Contact State administering agencies or United States Department of Agriculture, Food and Nutrition Service Regional Offices for a copy of FNS Instruction, 796-2, Rev. 3, Financial Management -Child and Adult Care Food Program.



**U.S. Department of Agriculture  
Food and Nutrition Service  
Child Nutrition Division  
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**CACFP**  
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**CHILD and ADULT  
CARE FOOD  
PROGRAM**

**FNS INSTRUCTION  
796-2, Rev. 3**

**# 9  
RENTAL COSTS**

*This is the ninth in a series of brochures on  
FNS Instruction 796-2, Revision 3.*

Allowable rental costs are the program share of lease fees for space, facilities, vehicles and equipment used in the program. Allowable rental costs are limited in certain lease arrangements.

**Are there common requirements for all types of rental situations?**

Yes. The following apply when determining the allowable costs of any rental:

- A bona fide rental arrangement must exist between the institution and lessor;
- The rental must be properly procured and the contractual documents must be adequate;
- Rental costs must be reasonable given the needs of the institution, the program, current market conditions and the type, life expectancy, condition and value of the property or item; and
- Rental costs must be prorated between program and nonprogram use.

**Can an institution charge a rental fee for space, equipment or vehicles when the item is owned by the institution?**

No, however, the institution can usually charge depreciation.

**Can an institution charge depreciation and a lease fee for the same item?**

No.

**Are rental costs allowed when the lease is between an individual and the lessor?**

No. The institution must be the lessee.

**Can an institution rent from an individual that is an officer, employee or a family member.**

Yes, but allowable costs are limited and special rules apply to these related party transactions. Refer to FNS Instruction 796-2, Rev. 3, Chapter VIII, I, 36, Rental Costs for complete information. Brochure #9, *Special Leases*, provides a synopsis of the requirements for determining allowable costs in special lease situations.

**SPACE AND FACILITIES**

**Is renting space in a private residence allowable?**

Yes, when a bona fide arms-length rental exists with an independent third party and the program share of the cost is reasonable.

**Are renovations, rearrangement and alteration costs to rented space allowable?**

No.

**Can the lease fees include other costs?**

Yes. Reasonable and necessary costs, such as maintenance and custodial costs, can be included in rental fees.

**EQUIPMENT, SUPPLIES and VEHICLES**

**Are the requirements different when an institution rents supplies, such as fax or copy machines?**

No.

**Can an institution charge a mileage fee and a lease fee for the same vehicle?**

No, but the program share of fuel costs, insurance premiums, routine maintenance, parking and tolls are allowable costs for leased vehicles.

**Can the institution permit officers or employees to use rented vehicles for personal use?**

Yes, however, the lease fee must be prorated between program and nonprogram use. All personal use operating costs and the nonprogram share of the lease fee, maintenance and insurance costs are unallowable.

*NOTE: Additional requirements may apply. Consult 796-2, Rev. 3 and the appropriate administering agency for more information.*