

June 02, 1997

**SUBJECT:** Two-tiered Reimbursement Structure for Day Care Homes in the Child and Adult Care Food Program: Approaches to Establishing the Eligibility of Enrolled Children in a Tier II Day Care Home

**TO:** Regional Directors  
Child Nutrition Programs  
All Regions

In response to questions from regional offices, State agencies, and sponsoring organizations, this memorandum clarifies how sponsoring organizations may establish the income eligibility of children enrolled in tier II day care homes.

Section 17(f)(3)(A)(iii)(II) of the National School Lunch Act (NSLA), as amended by section 708(e)(1) of P.L. 104-193, specifies that tier II day care home providers have the authority to elect whether income-eligible children are identified by the sponsoring organization. In addition, the NSLA sets forth at section 17(f)(3)(A)(iii)(III) three possible approaches for providers with regard to the collection of eligibility information from households of children in their care. Sections 226.6(f)(2) and 226.18(b) of the interim rule require sponsors to inform providers of these three approaches. The approach that providers select determines if, and how, sponsors are to establish the eligibility of enrolled children. This memorandum discusses how sponsoring organizations may establish the eligibility of children enrolled in tier II day care homes in the context of these three approaches.

Under the first approach set forth in the law, a day care home provider may elect to have the sponsoring organization collect income information from the households of all children enrolled in the day care home. In that case, for all meals served to enrolled children who are determined by the sponsoring organization to meet the criteria for free or reduced price meals (i.e., they are from households with incomes at or below 185 percent of the Federal income poverty guidelines), the home would receive tier I rates of reimbursement. For meals served to all other enrolled children, the home would be reimbursed at the tier II rates of reimbursement.

If a provider selects this first approach, the sponsoring organization may establish the eligibility of enrolled children in several ways. First, a child may be identified as income-eligible based on the sponsoring organization's receipt of a completed income eligibility statement which demonstrates that the household's income is at or below 185 percent of the Federal income poverty guidelines. In addition, P.L. 104-193 expanded, for tier II homes, the categorical eligibility options found in section 9(d)(2) of the NSLA to include other Federal or State supported child care or other benefit programs with income eligibility limits at or below 185 percent of poverty. Meals served to a child who is a member of a household which participates in, or is subsidized under,

such a program would also be eligible for tier I reimbursement. The categorically eligible programs used to demonstrate the eligibility of children enrolled in tier II homes include those programs identified in section 9(d)(2) of the NSLA and set forth in section 226.23(e) of the regulations (i.e., food stamps, the Food Distribution Program on Indian Reservations, and certain State programs for Temporary Assistance for Needy Families), as well as any qualifying Federal programs identified by the Department, or State programs identified by the State agency.

Children from households participating in, or subsidized under, one of these programs could be identified by the sponsor in two ways. First, instead of providing income information on the income eligibility statement furnished by the sponsoring organization, the household could identify itself as participating in, or subsidized under, one of the categorically eligible programs, which would be listed on the income eligibility form. Alternatively, despite language in the preamble to the interim rule which indicates otherwise, an income eligibility statement would not be necessary for those children whom the sponsoring organization or provider knows (on the basis of documented proof) to be categorically eligible for tier I reimbursement. This could occur when a provider receives payment for a child's care in the form of a subsidized voucher (and the voucher program has been identified by the Department or State agency as meeting the income criteria for categorically eligible programs); when the household provides the sponsor or provider with an official letter issued by the welfare or other office documenting the household's participation in a qualifying program, such as the National School Lunch Program; or when the sponsoring organization has access, for reasons unrelated to the CACFP, to eligibility information for another qualifying program. In these cases, a copy of the child's voucher, or other documentation by the sponsor of the child's participation in the other qualifying program, would be an acceptable alternative to completion of the income eligibility statement.

The second approach set forth in the law recognizes that some day care providers may not want the households of the children in their care to receive income eligibility statements. Under this approach, the provider may elect to have the sponsor identify only categorically eligible children, under the expanded categorical eligibility provision, and receive tier I rates of reimbursement for the meals served to these children. In this instance, as described in the previous paragraph, the sponsor would identify only those children whom the sponsoring organization or provider knows (on the basis of documented proof) to be categorically eligible for tier I benefits, and would have on file only copies of vouchers or other proof of participation in an eligible program rather than income eligibility statements. It is likely that this option will be useful only in limited situations. [Although the preamble to the interim rule describes the second approach as including the distribution of income eligibility statements in some cases, we have reconsidered and concluded that the clear intent of the law is to provide an approach under which a tier II day care home may receive tier I rates of

reimbursement for eligible children without the distribution of income eligibility statements to the households of children in care.]

We would like to emphasize that the above two approaches to identifying income-eligible children would not permit a provider to selectively identify those children whom the provider suspects or believes may be income-eligible, based on the provider's personal estimate of a household's socioeconomic status, and have their sponsoring organization send applications only to those households. The only time that this "selective identification" approach may be used is when either the sponsor or provider possesses already documented evidence of the child's or household's participation in, or subsidy under, a categorically eligible program. In such cases, the documentary evidence can be used to establish eligibility in lieu of an application; in all other cases, the sponsoring organization (or provider, if permitted by the State agency, and discussed in response to Question #23 of Questions and Answers #3) must make blank income eligibility statements available to all households of children in a tier II home.

Finally, under the third approach in the law, in those situations where the provider believes it to be unlikely that any households of children in her care to be income eligible for tier I reimbursements, the provider may choose to receive tier II reimbursements for all meals served to enrolled children. In this case, the sponsoring organization will not collect any income eligibility statements from the households of enrolled children, nor will it identify categorically eligible children based on provider or sponsor knowledge. Essentially, tier II homes whose providers elect this option will operate exactly as they did before implementation of the two-tiered reimbursement structure, except that they will receive lower rates of reimbursement.

We hope this helps clarify the process of identifying income-eligible children in tier II day care homes. If you have any questions concerning this memorandum, please contact Melissa Rothstein or Ed Morawetz at (703) 305-2621.

/ORIGINAL SIGNED/

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