

CACFP Administrative Handbook

Table of Contents

18. Tiering Guidance for Homes

Classification of Homes.....	18-1
Tier Determination.....	18-2
Notification of Tier Status to the Provider	18-2
Tier Change.....	18-3
Tier 1 by School.....	18-3
Documenting a Tier 1 by School Determination	18-4
Provider’s Own Children	18-4
Tier 1 by Census.....	18-5
Documenting a Tier 1 by Census Determination	18-5
Provider’s Own Children	18-6
Tier 1 by Income	18-6
Verification of Provider Income	18-6
Tier 2.....	18-8
Distribution Family IEFs	18-8
Determining Family IEF.....	18-9
Tier Status	18-9
Special Situation	18-9

18. Tiering Guidance for Homes

Reimbursement is based on eligibility at two levels: Tier 1 or Tier 2. 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 determination of eligibility is income eligibility guidelines (set at 185% of poverty). Refer to the Tier Classification Chart, Form 18-A.

Providers are prohibited from assessing separate charges for meals served to enrolled children. Providers cannot charge more for meals to households who are not eligible for higher rates or to households who decline to submit income-qualifying documentation.

Classification of Homes

Family day care homes (“homes”) participating in the CACFP are reimbursed based on their classification as Tier 1 or Tier 2. All homes are Tier 2 until eligibility is documented.

Tier 1 Home: A home determined eligible for higher reimbursement because it is either:

- (1) located within a boundary of a school with at least 50% of the children receiving free or reduced price meals; or
- (2) located within a census area with children who are members of households at 185% of the federal poverty level; or
- (3) operated by a provider whose household meets the income standards and whose income has been verified by the sponsor.

Tier 2 Home: A home that does not meet criteria for Tier 1, but may serve children who are determined eligible

- (1) Tier 2 High home - the provider receives the higher reimbursement rates for meals served to children who are determined eligible. All participating children are classified as Tier 2 High.
- (2) Tier 2 Low home - the provider receives the lower reimbursement rates for meals served to children. All participating children are classified as Tier 2 Low.
- (3) Tier 2 Mixed home - the provider receives the higher rate (Tier 2 High) for meals served to children who have been determined to be eligible, and the lower rate (Tier 2 Low) for meals served to all other enrolled day care children.

Tier Determination

Sponsors are responsible for determining the classification of a home as a Tier 1 home. If the sponsor has not been able to verify that the home meets the criteria for Tier 1 classification, the home must be classified as a Tier 2 home.

A Tier 1 eligibility determination cannot be made without supporting documents on file.

Sponsors must obtain school attendance area documentation (school map or letter) or census map. Sponsors must annually review school attendance areas to determine if additional providers are eligible. KSDE will provide assistance in effectively using census and school data. Any costs associated with obtaining the information are allowable administrative costs.

Sponsors will maintain appropriate documentation to support the determination of each home's eligibility for Tier 1 reimbursement. Documentation used to determine the classification of a home as Tier 1 will be maintained on file for as long as the classification is in effect, plus a period of 3 years.

Since there is a significant financial benefit associated with the classification of a home as Tier 1, the KSDE will establish an over-claim against the sponsor if a home has been misclassified.

Notification of Tier Status to the Provider

After a tier status has been determined or re-determined, the provider must be notified in writing immediately. The determination and notification is completed for each new provider or when a current provider changes tier status or a previous status expires. If the provider is inactive when a tiering status expires, the sponsor needs to re-determine the provider's tier status so the determination is valid when the provider resumes participation. Refer to the *Tier Notification Form*, 18-B.

To notify the provider of the current tier status the following must be included (additional guidance for the required documentation for each tier determination is located later in this chapter and in *Chapter 19, Income Eligibility*):

- ◆ The provider's name, date and provider's address
- ◆ Indication of the home as either Tier 1 or Tier 2
 - For **Tier 1** homes, the sponsor indicates the criteria met as either:
 - School with the name of the qualifying school and the effective and expiration dates of the determination
 - Census with census block number and the effective date of the determination
 - Household income with the effective and expiration dates of the determination
 - For **Tier 2** homes, the provider must select one of the following options:
 - Tier 2 reimbursement for all day care children
 - Family Income Eligibility Forms from the families
 - DCF Notice of Eligibility submitted by the provider
- ◆ The provider's signature and date

- ◆ If the provider is Tier 1 by School or Census and submitted a complete Income Eligibility Form for provider’s own children, the effective and expiration dates of the determination are listed for the applicable year(s) (in the lower, left-hand area of the sample *Tier Notification Form*).

A copy of the form is given to the provider. The original form is kept on file with the sponsor. When the status of the home changes, a home is re-determined and a new notification form is completed. When a Tier 2 provider selects a different option, a new notification form must be completed.

Tier Change

A provider can have only one tier status during a calendar month. If a provider changes tiering status during a month (moves to an ineligible school area, moves to a new town with no school boundaries, etc.), the provider must select one of two options for payment:

- (1) The provider will be **Tier 2** and be reimbursed for all meals at the Tier 2 rates for the entire month.
- (2) The provider will be **Tier 1** for the month but only be reimbursed for the portion of the month that the provider was eligible for Tier 1 rate and receive no meal reimbursement rate for the remainder of the month. For example, a provider who was eligible to receive Tier 1 rate for the first 20 days and eligible to receive Tier 2 rates for the remaining 10 days can be reimbursed for only the first 20 days at the Tier 1 rate. The provider would receive no reimbursement for the meals served the last 10 days that month.

Tier 1 by School

The location of the home is used to determine if a home is Tier 1 by school (area eligibility). If a provider cares for children in another residence, the location of the child care home is used to qualify a home by area eligibility.

Use of School Data - USDA considers aggregate public school data on the percentage of enrolled children eligible for free and reduced price meals an effective way of determining whether or not day care homes are located in low-income areas. This information is updated annually. The sponsor must consult the current year’s public school data information to document eligibility of homes for Tier 1 reimbursement.

The KSDE information related to school eligibility for reduce price and school meals is annually updated based on September 20 enrollment. That information is available at www.ksde.org.

If a school closes, new data for the school district will not be available until October. Determinations for the schools affected (new, closed, combined) between July 1 and October 1 cannot be made since current data is not available.

The sponsor’s determination that a home is located in an eligible low-income area by school data will be in effect for that home for five years, regardless of changes in school data. A home determined eligible on February 15, 2013 is eligible through January 31, 2018.

Choosing a School - Sponsors must use data from the public elementary or secondary school that **includes** the home in its boundaries. Virtual schools may not be used.

Enrollment Data Zones - School enrollment data is restricted to a specific school attendance zone. The entire school district data may not be used.

Residents Not Assigned to Specific School - If residents of an area are not assigned to attend a specific school, but may choose from among several schools to attend. In this case school data is not appropriate and cannot be used. Sponsors should use either census data or the individual provider's household income to determine the home's tiering category. Contact KSDE for guidance on special situations.

Busing Children, Charter and Magnet Schools - In a situation when mandatory busing has affected the income classification of a neighborhood school, use census data to determine tiering status.

School Data Changes - A Tier 1 determination based upon school data is valid for five years. Documentation of the determination should be maintained on file for as long as the classification is in effect plus 3 years. If school income data changes to less than 50% or if the attendance area changes in year two through year five, the sponsor should not reclassify the home. However, the status of a new CACFP provider must be based on the most recent data available. Although this process may result in two providers in the same neighborhood being classified differently, the sponsor should not re-evaluate the tiering status of a home until the five-year period expires.

School Data from Private Schools - Sponsors are required to use school data from public schools in making Tier 1 area determinations. Private schools generally draw from a diverse geographic attendance area unlike public schools that have a defined area.

Documenting a Tier 1 by School Determination

To document school data, sponsors obtain an official school-boundary map:

- ◆ Plot the exact location of the day care home within the map's boundaries, date the determination, and retain the map in the provider's file. School boundary information is public information and should be available from school districts. If a school map is unavailable or the sponsor is unable to plot the exact location of the day care home, the sponsor needs to contact school officials and request written documentation.
- ◆ Include documentation such as a dated letter from a school official detailing the information provided by the school official and the name of the official consulted.
- ◆ Plot the provider's address using a geomapping program such as MapQuest, and file a copy with the tiering determination records.

The sponsor must verify school boundary information annually to determine if there are any changes in boundary lines. To document the update, record the date, time and caller's initials.

Provider's Own Children

When day care children are eligible for Tier 1 rates due to school eligibility, the provider must complete an Income Eligibility Form to determine eligibility of the provider's own children (provider's own children is explained in *Chapter 17, Provider Participation*). If the

provider is a guardian of a foster child, the foster child is part of the household on the Income Eligibility Form. The form must be completed by the provider and determined by the sponsor and is valid for 12 months. Details on determining an IEF are in *Chapter 19, Income Eligibility*. The sponsor should not request income verification documentation.

If the provider is income eligible, provider's own children can be claimed for Tier 1 reimbursement. If the provider is not income eligible, provider's own children cannot be claimed for Tier 1 or Tier 2 reimbursement.

Tier 1 by Census

The location of the home is used to determine if a home is Tier 1 by census (area eligibility). If a provider cares for children in another residence, the location of the child care home is used to qualify a home by area eligibility.

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

- ◆ School data shows an area to be close to the 50% threshold for area eligibility (between 40 and 49%) and the special tabulation of the census data reveals a portion of the school's attendance area in which 50% or more of children are income eligible.
- ◆ The home is located in a rural area, where geographically large school attendance areas occasionally obscure localized pockets of poverty which can be identified through use of census data.
- ◆ The local school data does not reflect the surrounding area's socioeconomic condition due to the use of busing or other non-neighborhood bases (example, magnet schools).

The sponsor's determination that a home is located in an eligible census block group will be effective for 5 years from the determination date. A determination made Feb. 15, 2013 will be effective through January 31, 2018.

Census information (which is updated annually) **and instructions for determining eligibility based on census data** is available at <http://www.fns.usda.gov/areaeligibility>.

Sponsors must annually notify Tier 2 providers that they may be reclassified when new census data becomes available each year.

Documenting a Tier 1 by Census Determination

To document census information:

- ◆ Print a census block group boundary map showing the GEOID #.
- ◆ Plot the provider's address using a geomapping program such as MapQuest, and file a copy with the tiering determination records.
- ◆ If using census averaging, sponsors must submit to KSDE for approval before making the tiering determination.
- ◆ Sponsors may contact KSDE to verify determinations.

Provider's Own Children

When day care children are eligible for Tier 1 rates due to census eligibility, the provider must complete an IEF to determine eligibility of the provider's own children (provider's own children is explained in *Chapter 9, Provider Participation*). If the provider is a guardian of a foster child, the foster child is part of the household on the Income Eligibility Form. The form must be correctly completed by the provider and determined by the sponsor to be valid for 12 months. Details on determining an IEF are in *Chapter 19, Income Eligibility*. The sponsor should not request income verification documentation.

If the provider is income eligible, provider's own children can be claimed for Tier 1 reimbursement. If the provider is not income eligible, provider's own children cannot be claimed for Tier 1 or Tier 2 reimbursement.

Tier 1 by Income

To qualify as Tier 1 by income, a provider must submit a completed IEF to the sponsor. A provider may qualify for Tier 1 by participation in Food Assistance (FA), Temporary Assistance to Families (TAF), and/or the Food Distribution Program on Indian Reservations (FDPIR), or by income and household size. Further information is located in *Chapter 11, Income Eligibility Forms*. The sponsor must review the completeness of the form, evaluate the income, verify the information, and determine the eligibility. Providers operating a home day care during the previous year must supply a copy of the 1040 and Schedule C or C-EZ to be determined Tier 1 by income. A ledger or letter from a tax preparer cannot substitute for 1040 and Schedule C/C-EZ when a provider has been in business long enough to disclose the day care business on tax forms.

Periodically, USDA issues additional guidance for deployed military personnel and military income. Guidance for military situations is issued by KSDE regarding any income and/or household member that may be excluded or is required to be reported.

Verification of Provider Income

Verification of income is required for a provider to be determined as Tier 1 by income. Verification is the documentation to prove that a provider received/receives the amount of income listed on the IEF or on other documents submitted. A determination cannot be completed until all income information is verified with source documents. Sources of information for verification of the provider's household income or categorical eligibility include written evidence and/or collateral contacts.

Written evidence will be used as the primary source of information for verification. The sponsor must make a copy of the documents submitted by the provider. Verification records must be kept in the provider's file.

- ◆ **Wages and salary** includes page 1 of IRS Form 1040 plus one of the following:
 - Current paycheck stubs for two or more consecutive pay periods to cover at least one month. If the pay period is monthly, provide two consecutive paycheck stubs to cover at least two months.
 - Letter on letterhead from employer stating current gross wages paid and how often they are paid, signed and dated by the employer.
 - 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. A pay stub with no date would be insufficient.

- ◆ **Self-employment/farm income/seasonal** includes the following:
 - Last year's tax return (page 1 of IRS Form 1040, and Schedule C, and any other schedules, if applicable).
 - Ledger pages only if self-employment is recent.
 - Tax forms may be used as verification for self-employed persons. However, income is defined differently for USDA programs than income is defined by the Internal Revenue Service. Refer to the 1040 Verification Form 18-C.
- ◆ **Social security/pensions/retirement** includes page 1 of IRS Form 1040 plus one of the following:
 - Bank statement showing social security retirement benefits received
 - Statement of benefits received
 - Pension award notice, or
 - Current check stub for two consecutive payments

If the 1040 has any amount for any of these line items, verify if the amount(s) were available for household use. If yes, include as income; if no, attach a note from the provider.

- ◆ **Unemployment compensation/disability/worker's compensation** includes the following
 - Page 1 of IRS Form 1040
 - Notice of eligibility from state employment security office, or
 - Current check stubs for two consecutive payments
- ◆ **Welfare payments** require a benefit letter from the welfare agency.
- ◆ **Child support and alimony** require court decree, agreement, copies of the most current checks received, or printout from Kansas Payment Center.
- ◆ **All other income** must be verified. Provide the information or papers that show the amount of income received, how often it is received, and the date received.
- ◆ If **no income** is reported, the provider must provide an explanation on how he/she provides food, clothing, and housing for the household and when he/she expects an income.
- ◆ **FA/TAF/FDPIR** requires proof that the household is currently participating in the program.
 - For FA and/or TAF, a copy of letter detailing benefits from the awarding agency must be on file
 - For FDPIR, a letter from tribal council stating the provider currently receives food distribution must be on file.
 - A provider who is Tier 1 due to FA participation or who is Tier 1 by area (school or census) and uses a FA case number to qualify his/her own children for Tier 1 rates, must be indicated as such on the KSDE computer system so the provider will be listed on the Food Assistance Program report. Each year, on or before July 1, KSDE reports the provider's name, city and case number to the DCF Food Assistance Program office as required by CACFP regulations.

A collateral contact should be used only in cases when the provider has not been able to provide adequate written evidence. Collateral contacts include employers, social service agencies, migrant workers agencies, and religious or civic organizations. Collateral contact may be made in person or by phone. However, all collateral contacts must be documented, dated, and initialed by the sponsor.

Tier 2

A Tier 2 home is defined as a home that does not meet the criteria for classification as Tier 1. A Tier 2 home is not located in a low-income area nor is it eligible based on the provider's income. **The provider's own children are NOT eligible for reimbursement in a Tier 2 home.** Providers defined as a Tier 2 home are to select one of the reimbursement choices listed below:

- ◆ Accept the Tier 2 rates for all children in care and request no additional information from the families.
 - The provider may choose to receive Tier 2 for all the enrolled children in care. Provider's own children are not eligible for CACFP reimbursement.
- ◆ Request the sponsor collect a Family Income Eligibility Form (IEF) from all households.
 - A Tier 2 home may choose to have Family IEFs distributed to households of enrolled children. The provider will receive the higher reimbursement (Tier 2 High) for children who reside in households determined to be income eligible, and receive lower reimbursement (Tier 2 Low) for all other day care children. No income information will be collected from households without the provider's written request. The provider's own children are not eligible for CACFP reimbursement. See IEF information which follows.
- ◆ Submit a notice of DCF eligibility for each child to the sponsor.
 - A Tier 2 home may choose to submit a notice of Department Children & Families Eligibility for applicable enrolled children. The provider will receive higher Tier 1 reimbursement (Tier 2 High) for children who are eligible for DCF child care subsidies and receive lower reimbursement (Tier 2 Low) for all other day care children. The notice is valid only for the months listed on the form. The provider's own children are not eligible for CACFP reimbursement.

The provider's choice of a Tier 2 option will be documented on the *Tier Notification Form*. The original will be filed at the sponsor's office and a copy will be given to the provider. The form will remain in effect until the provider notifies the sponsor of a change. A new form will be completed promptly to document the provider's new selection. In addition, the sponsor will annually confirm the provider's status as not eligible for Tier 1 (evaluate new school list, new census information).

Distribution Family IEFs

The provider may distribute a blank Family IEF to each household of children enrolling/enrolled for care with instructions the completed IEF must be returned to the sponsor, unless the parent has given written consent for the provider to return the Family IEF to the provider. Families may return the IEF to the provider in a sealed envelope, and the provider will forward the form to the sponsor.

The provider can request that the sponsor distribute income information to all families. The sponsor must send the IEF to families with a stamped, self-addressed envelope to submit. The sponsor has fulfilled its obligation by providing the opportunity to return the Family IEF.

A new IEF must be given to newly enrolling families. **Family IEFs must be distributed to all families annually or upon expiration. Eligibility should not be re-determined prior to the expiration date.**

Determining Family IEF

Providers are eligible for Tier 2 High reimbursement if the children's family meets one of the following conditions:

- ◆ Income eligible based on household size and income
- ◆ Categorically eligible if they participate in FA, TAF, or FDPiR
- ◆ Expanded categorical eligibility if they participate in programs meeting the income level of up to 185% of the poverty level. (KSDE provides a current list of eligible programs annually.)

The sponsor is responsible for determining each Family IEF. Verification of information (example, check stubs, TAF participation, etc.) is not required for Family IEF. The provider will receive Tier 2 High rates for meals served to children who have been determined to be eligible based on a completed IEF that meets income guidelines. The provider will receive Tier 2 Low rates for all other day care children (providers own children are not eligible). Meals served to all enrolled day care children in Tier 2 homes who have not been determined to be eligible for Tier 2 High rates will be reimbursed at the Tier 2 Low rates.

Sponsors may under no circumstance reveal the names of income eligible children or provide income information to other organizations or individuals. Providers may be told only the number of income eligible children in their care. It is not allowable to tell providers the names of families who have returned income forms. If a family requests information on their eligibility status, the sponsor may share information with that family.

Tier Status

The provider's reimbursement status as a Tier 2 home is classified as Tier 2 High, Tier 2 Low, or Tier 2 Mixed. As participation of children changes the provider's classification may change (possibly monthly for a provider).

- ◆ If 100% of the participating children are eligible for higher reimbursement, the status of the home is **Tier 2 High**. All meals are claimed as Tier 2 High.
- ◆ If 100% of the participating children are Tier 2 (lower reimbursement), the status of the home is **Tier 2 Low**. All meals are claimed as Tier 2 Low.
- ◆ If a Tier 2 home has participating children eligible for both higher and lower reimbursement, the status of the home is **Tier 2 Mixed**. Some meals are claimed as Tier 2 High and some meals are claimed as Tier 2 Low.

The provider's tier status must be updated in the KSDE computer system prior to submitting the provider's claim for reimbursement. The meals must be reported in the correct meal type when entering the provider's claim into KSDE's computer system.

Special Situation

If a Tier 2 Mixed home switches methods, the forms currently on file are valid and the provider continues to receive Tier 2 High reimbursement for the applicable child(ren) until the form/determination expires.