JAN 4 1990

Subject: Child and Adult Care Food Program (CACFP) - Commodity Assistance for Family Day Care Homes (FDCHs)

To: STATE AGENCY DIRECTORS - Colorado DH, Colorado SS, Iowa ED, Kansas ED, Missouri DH, Missouri SS, Montana DHES, Montana SRS, Nebraska ED, Nebraska SS, North Dakota, South Dakota, Utah ED and Wyoming ED

School Year (SY) 1990 changes in policy governing the distribution of bonus commodities under the CACFP have raised questions relative to the right of FDCHs to receive entitlement commodities.

Sponsors of homes may receive entitlement commodities on behalf of their homes. Section 17(h)(1) of the National School Lunch Act requires that commodities be donated to participating institutions (further defined in the Act to include FDCH sponsors) unless they elect cash-in-lieu of commodities. In implementing this provision, Section 226.5(b) of CACFP regulations bases each State's minimum commodity (or cash-in-lieu of commodities) entitlement on the number of lunches and suppers served in all participating institutions, except sponsoring organizations of homes which are not receiving commodities. Thus, sponsors of homes which are receiving commodities are to be included in the entitlement calculation. Further, Section 226.13(c), in recognition of the fact that FDCHs can receive entitlement commodities, stipulates that the reimbursement payments for lunches and suppers served in homes under sponsoring organizations which elect commodities for their entitlement, must be reduced by the currently applicable commodity assistance rate.

Based on the foregoing, all FDCH sponsors are to be included in the State Agency's annual commodity or cash preference survey required under Section 226.6(h). While the issues relative to making a decision to choose commodities or cash are generally familiar to State Agencies and centers, such a decision may be more difficult for sponsors of homes. Accordingly, the following is provided so that State Agencies may assist sponsors in making an informed choice in this regard.

Each institution must elect to receive its total entitlement in all cash or all commodities. Since a sponsoring organization cannot choose cash for some of its homes and commodities for the others and, since the non-changing election is binding for the entire year, sponsors should be advised to take whatever steps are necessary to involve their home providers in the decision in order to help ensure the most effective use of the commodities.
When a sponsoring organization elects commodities rather than cash, the State Distributing Agency must provide sufficient commodities for each day care home under that sponsor to receive them at the annually adjusted entitlement rate. In turn, such sponsoring organizations must make equitable redistribution of the commodities to their individual home providers, and comply with the policies in FNS Instruction 781-7 and all Section 250.15(a) and (f) regulatory requirements with respect to handling charges for distribution costs.

As indicated above, in order to adequately and equitably represent the providers' preferences and needs with regard to selecting their annual commodity entitlements, sponsoring organizations must follow current procedures for surveying, allocating, notifying, and distributing commodities, and would need to communicate frequently during the survey and actual allocation periods with both their State Distributing Agency and all of their home providers.

Since commodities donated to the States for use in CACFP are the same as for schools, consideration must be given at all levels - State Agency, sponsor and individual home provider - when sponsors are making their annual entitlement elections, to the traditional case lot quantities and institutional pack sizes provided. These quantities and sizes could cause the sponsor problems in equitable distribution to the individual home providers, who may well be unable to effectively and efficiently use the actual commodities that would be provided.

Sponsoring organizations electing to take commodities must not only comply with the Part 226 CACFP recordkeeping requirements, but also must maintain accurate and complete records following all of the Section 250.16 requirements for commodity recipient and sub-distributing agencies. Likewise, all home providers under such sponsoring organizations must maintain these minimum records with respect to the receipt, use or disposal, and inventory of their donated foods.

Reviews of sponsoring organizations which elect commodities must follow all applicable CACFP and Food Distribution Program requirements. As part of supervisory assistance reviews of such sponsors, the appropriate State Agencies must, therefore, follow the requirements outlined in Section 226.6(1), and also review sponsors' handling of commodities and all requirements associated with them, including the minimums outlined in Section 250.19(b) of the regulations; i.e., food ordering procedures, storage practices, inventory controls, and recordkeeping and reporting requirements. Such sponsoring organizations also must include these additional commodity areas in all reviews of their day care home providers' operations that are required by Section 226.16(d).

State Distributing Agencies must assure that sponsors electing commodities are offered sufficient and varied foods and, to the extent possible, practicable pack sizes to meet their entitlement. The sponsoring organizations, in turn, must assure the equitable redistribution and effective use of the donated foods in their participating day care homes.

Current policy, as you know, requires that the lunches and suppers served in centers electing entitlement commodities must constitute at least 20 percent of the total lunches and suppers served in its participating centers in order for a State to qualify for bonus commodities. The Food Distribution Division uses this calculation even though entitlement commodities are available to homes.
Given the potentially significant impact of adding homes to this calculation, there are no plans to change this methodology at this time. When the State has been determined eligible to receive bonus commodities, then only institutions receiving entitlement commodities within that State, including any sponsors of day care homes, are eligible to receive the bonus commodities.

Since we are well into SY 1990, no changes will be made to the current cash/commodity options that have been chosen. We are providing this information to you at this time so that appropriate action can be taken to resolve any misunderstandings of legislative, regulatory, or policy requirements prior to initiation of the State Agencies' commodity preference surveys for SY 1991.

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