Reply to
Attn. of: CACFP-523

Subject: Day Care Homes Grant Funds - Deadline for Obligation and Expenditure

To: STATE AGENCY DIRECTORS - Colorado DPHE, Iowa, Kansas, (Child Nutrition Programs) Missouri DH, Montana DPHSS, Nebraska ED, North Dakota, South Dakota, Utah and Wyoming ED

During the April 1997 meeting of the Education Information Advisory Committee (EIAC) in Washington, D.C., our National Office was asked if State Agencies (SAs) could receive an extension of the deadline to obligate the portion of the Day Care Homes (DCH) Grant funds retained by the SA for its own expenses related to the implementation of the new tiering procedures. As stated in the Addendum to the Federal-State Agreement for the DCH Grant (Addendum), the deadline to obligate these funds is September 30, 1997.

The National Office reviewed this issue and has determined that the deadline for obligation of funds under the Addendum which was executed last November cannot be extended. However, an SA which is unable to fully obligate any portion of the grant by September 30, 1997, may return the unobligated portion to Food and Consumer Service (FCS) and request that a new Addendum for the amount of the returned funds be issued after September 30. This option is available for any portion of the DCH Grant amount, not only the SA level funds noted above in EIAC's inquiry.

If any SA would like to exercise this option, it should notify the Regional Office (RO) no later than August 15, 1997, of the amount of unobligated Fiscal Year (FY) 1997 DCH Grant funds which it intends to return, and the amount of those funds that it is requesting be reissued for FY 1998. After an SA has notified the RO of the amount of the return and the amount it is requesting be reissued, and the funds have been returned to the RO, the National Office will prepare a new Addendum that delineates the new time frames for obligating and expending the reissued DCH Grant funds. Please identify and return any unobligated DCH Grant funds as soon as possible before the end of the fiscal year. This will assist Financial Management in quickly responding to the reissue requests for DCH Grant funds. The time for completing all obligations under the new Addendum will be March 31, 1998, with expenditures completed by June 30, 1998.
Use of the reissued Grant funds would be limited to expenses related to the transition to the new DCH reimbursement procedures. In addition, any use of the reissued amount must be limited to transition activities that are not related to the initial design or implementation of SA systems to issue payments to DCH sponsors. This limitation is necessary since the initial modifications to SA payment systems must be completed prior to September 30, 1997, to ensure that, beginning with the July 1997 claims for reimbursement submitted for payment by sponsors, accurate payments are made at the two different reimbursement rates for reimbursable meals and supplements served.

As stated in the DCH Grant Award letter, an SA must adhere to the recordkeeping and reporting requirements listed in the current Addendum for those DCH Grant funds obligated by September 30, 1997 and expended by December 31, 1997. The new Addendum that is signed for the DCH Grant funds that are returned and reissued for obligation and expenditure in FY 1998 will contain the recordkeeping and reporting requirements associated with the reissued funds. The additional reports will allow FCS to track the reissued funds separately from those in the original Addendum.

In regard to extending the time frame for expenditure of the DCH Grant funds that does not involve a change in the September 30, 1997, obligation deadline, the process is somewhat simpler. To request an extension to the December 31, 1997, expenditure deadline stipulated in the Addendum to the Federal-State Agreement for the DCH Grant, an SA should submit a written request for an extension along with the reasons the extension is necessary to the RO. Please note that the maximum amount of time the expenditure deadline can be extended to is June 30, 1998.

If you have any questions about this procedure, please contact our office at 303-844-0359.

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Regional Director  
Child Nutrition Programs

cc: Pat Dent, FM