



Date: January 24, 2024

Memo code: SP 07-2024, CACFP 03-2024

Subject: Updated Instructions for the State Administrative Expenses (SAE) Recovery Process and SAE Financial Status Report (FNS 777 SAE) Child Nutrition Programs

To: Regional Directors, Child Nutrition Programs, All Regions
Regional Directors, Grants Management Administrative Services, All Regions
State Directors, Child Nutrition Programs, All States

On August 23, 2023, the Food and Nutrition Service (FNS) published the *Child Nutrition Program Integrity Final Rule*, [88 FR 57792](#) which establishes changes to the SAE recovery process in Fiscal Year (FY) 2023 and going forward. The changes and clarifications outlined below impact SAE reallocation funds received beginning in FY 2023. CACFP sponsor administrative funds are reported on the same form as SAE funds. As a result of the changes to how SAE funds are tracked and reported on the SAE Financial Status Report (FNS-777 SAE), FNS is also providing the following guidance for reporting sponsor administrative funds and carryover.

Background

SAE funds are allocated by FNS to State agencies, in accordance with 7 CFR §235.4, for administrative costs incurred in the National School Lunch Program, School Breakfast Program, Special Milk Program, Child and Adult Care Food Program (CACFP), Summer Food Service Program, and the Food Distribution Program. Publication of the Child Nutrition Program Integrity Final Rule amends 7 CFR §235.5 by making changes to the process by which State agencies return SAE funds that they are unable to spend within their allotted timeframe.

Changes to the SAE Recovery Process

The Child Nutrition Program Integrity Final Rule amends 7 CFR 235.5(d) and (e) to require State agencies to return any **unobligated** SAE funds to FNS at the end of the fiscal year following the fiscal year for which the funds are awarded. This is a departure from the previous regulation that required State agencies obligate and expend funds by September 30 of the second year of the grant and to return to FNS any **unexpended** SAE funds. This change provides State agencies more flexibility as it permits them to liquidate obligations (i.e., expend) after September 30. There is no change to what a State agency can carry forward as an unliquidated obligation into the 2nd year of SAE funding, and there is no change in the carryover limitations (i.e., 20% of funding can be carried over after subtracting expenditures and unliquidated obligations).

The compliance date for this provision is September 22, 2023. Therefore, this change affects FY 2023 SAE reallocation funds. State agencies must still obligate, but do not need to expend, all FY 2023 SAE reallocation funds by September 30, 2023.

The final rule and revised regulations supersede the following previously released guidance memos and instruction:

- SP 57-2013 and FD-131, Questions and Answers Regarding the Use of State Administrative Expense (SAE) Funds and SAE Reallocation Funds in the Food Distribution Program for Child Nutrition Programs
- SP 09-2020, CACFP 04-2020, Updated Instructions for the Recovery and Reallocation of State Administrative Expense (SAE) Funds in Child Nutrition Programs
- FNS Instruction 781-2

Reporting Using the FNS-777 SAE

To accommodate these changes, FNS is extending the reporting due date for the final (FNS-777 SAE) specified in 7 CFR 235.7(b). This change will align the due date with the 120-day due

date for the final FNS-777 report as specified in Program regulations at 7 CFR 210.5(d)(3)(ii), 7 CFR 215.11(c)(2), 7 CFR 220.13(b)(2), 7 CFR 225.8(c), and 7 CFR 226.7(d). The report extension will affect the closeout timeline for the FY 2022 SAE and CACFP sponsor administrative funds.

State agencies will be allowed to expend FY 2022 SAE funds which have already been obligated by September 30, 2023, and submit the final FNS-777 SAE in the Food Program Reporting System (FPRS) within 120 days after the end of the Federal Fiscal Year. Therefore, the Final FNS-777 SAE report for the FY 2022 grant period should be certified in FPRS no later than **January 29, 2024**. For FY 2023 and future years, State agencies will be required to submit an eighth quarter FNS-777 SAE report and a subsequent FNS-777 SAE final report to account for the new 120-day liquidation period.

The FNS-777 SAE report in FPRS currently contains the reporting for the CACFP sponsor administrative funds. Please note that for CACFP sponsor administrative funds, the State agency should continue to report for FY 2023 and forward the **final dollar amounts for these CACFP sponsor administrative funds on the eighth quarter FNS-777 SAE**, which is due 30 days after the end of fiscal year. The Program Integrity Rule **does not make any changes to the reporting requirements for CACFP sponsor administrative funds**. This eighth quarter report will be used to close out the CACFP sponsor administrative funds each year, beginning with the FY 2023 program year. However, since the eighth quarter report will be followed by a final report for SAE funds, State agencies will need to also include CACFP sponsor administrative funds on the final report. It is important to note that **there can be no changes to the CACFP sponsor administrative funds figures reported between the eighth quarter and the final reports**. Accordingly, all current requirements outlined in CACFP 24-2012 Family Day Care Home Administrative Reimbursements: Carryover Reporting Requirements for Fiscal Year 2012 and All Subsequent Years remain in effect.

For the FY 2022 closeout of these CACFP sponsor administrative funds, FPRS does not contain an eighth and final FNS-777 SAE report. As a result, FPRS contains a due date of January 29, 2024, for the final FNS-777 SAE report. To avoid confusion with the due dates contained in

FPRS, the CACFP sponsor administrative funds final report due date has been extended to coincide with the closeout of the FY 2022 SAE grant. However, please note that this one-time extension does not impact the period of performance for the CACFP sponsor administrative funds, which will remain unchanged.

State agencies should direct questions to the appropriate FNS Regional Office.

FOR Jessica Saracino

Director, Program Monitoring and Operational Support Division

Child Nutrition Programs