



**United States  
Department of  
Agriculture**

Food and  
Nutrition  
Service

3101 Park  
Center Drive

Alexandria, VA  
22302-1500

**DATE:** March 14 - 2014

**MEMO CODE:** SP 27-2014, CACFP 08-2014

**SUBJECT:** Fiscal Year (FY) 2014 Reallocation of State Administrative Expense (SAE) Funds

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

|                          |                            |
|--------------------------|----------------------------|
| State Agencies           | State Agencies             |
| Child Nutrition Programs | Food Distribution Programs |
| All States               | All States                 |

This memorandum and attachments provide the information needed to conduct the FY 2014 reallocation of SAE funds. Reallocation is a formal process by which State agencies can: (1) request additional SAE funds above their initial authorized funding level; or (2) return SAE funds they do not need. All State agencies must also submit an *SAE Funds Reallocation Report* (FNS-525) to their respective USDA Food and Nutrition Service (FNS) Regional office even if the State agency is neither requesting nor returning funds.

**In FY 2014, State agencies may request SAE reallocation funds for any allowable expense associated with the administration of the Child Nutrition Programs (CNPs) as described under 7 CFR 235.6.** With justification, allowable expenses include general administrative expenses as well as special one-time only projects that will increase the integrity, effectiveness and efficiency of the administration of the CNPs. However, if funds are awarded for activities that will continue beyond the grant period, State agencies must provide a plan for how the activities will be funded after the grant period ends.

This year, FNS has added a new category referred to as “**State Exchange**” activities that can be funded with SAE reallocation funds. The purpose of a State Exchange is to facilitate the sharing of information and resources between States and encourage State agency peer-to-peer communication. Therefore, SAE reallocation funds may be used to facilitate short term exchange opportunities, such as site visits to other State Child Nutrition agencies, interstate meetings, or presentations between staff from two or more State agencies. The goal is to share administrative techniques and resources that improve program integrity, effectiveness, and compliance in response to the many changes brought about by the Healthy, Hunger Free Kids Act of 2010 as well as other CNP priorities. State agencies are strongly encouraged to participate in State Exchange activities using FY 2014 SAE reallocation funds.

FNS will give high priority to requests for funds for State Exchange activities that are likely to lead to greater program integrity and effectiveness.

State agencies must ensure that the *total* amount of SAE funds (initial allocation *plus* reallocation) carried over into FY 2015 does not exceed 20 percent of the FY 2014 initial SAE allocation. Additionally, the availability of SAE reallocation funds in future years cannot be guaranteed. Requests must focus on needed projects or activities that are not dependent on receiving future SAE reallocation funds.

The following Attachments A-D are included with this memorandum:

- Attachment A, *SAE Reallocation Guidelines*, provides details about calculating carryover, State Exchange activities, and other major considerations.
- Attachment B 1-3, *Roles and Responsibilities*, explains the duties of State agencies, Regional offices, and Headquarters for conducting reallocation.
- Attachment C, *Guidance for ITS Procurement*, contains information to assist State agencies with determining their information technology and system needs and capacity so that they may prepare appropriate requests.
- Attachment D, *SAE Reallocation Request*, is to be filled out by the Regional office for each recommended request.

By **April 14, 2014**, State agencies must submit requests for SAE reallocation funds to their FNS Regional office. Regional offices will evaluate the need for each request and recommend for approval, in ranking order, projects or activities that demonstrate that they will increase the integrity, efficiency, and/or effectiveness of the administration of the CNPs. Those that have no other alternative funding source available (i.e., grants, CACFP audit funds, HHFKA Section 201 funds, or other) should be given preference.

By **May 5, 2014**, Regional offices must complete and submit to Headquarters:

1. FNS-525s for all State agencies (forms that are not signed and dated and that do not have current FY and authorized funding levels completed may delay reallocation);
2. Each State agency's SAE reallocation request recommended for approval; and
3. *FY 2014 SAE Reallocation Request* (Attachment D) for each recommended request.

After **May 5, 2014**, FNS Headquarters staff will begin the review and approval process for awarding FY 2014 SAE reallocation funds. If requests are not received at Headquarters by this date, they may not be considered. Unless additional information is needed from the State agency or the Regional office, Headquarters will notify Regional offices of the SAE reallocation awards in late **May 2014**.

Below is a table of key dates associated with the reallocation process.

|                       |  |
|-----------------------|--|
| <b>April 14, 2014</b> | <b>State agencies submit SAE reallocation requests to Regional offices.</b>  |
| <b>May 5, 2014</b>    | <b>Regional offices submit to Headquarters: All FNS-525s; recommended SAE reallocation requests, and Attachment Ds.</b>  |
| <b>May 2014</b>       | <b>Headquarters notifies Regional offices of SAE reallocation results</b>  |
| <b>Sept 30, 2014</b>  | <b>End of first year of FY 2014 SAE funds grant period. State agencies are allowed to carry over 20 percent of unobligated FY 2014 SAE funds into FY 2015.</b> |
| <b>Sept 30, 2015</b>  | <b>End of FY 2014 SAE funds grant period. All FY 2014 SAE funds (initial allocation plus reallocation) must be obligated <u>and</u> expended.</b>              |

Regional offices should send all forms and requests via e-mail to: Vivian Lees at [vivian.lees@fns.usda.gov](mailto:vivian.lees@fns.usda.gov) with a copy to Ann McMahon at [ann.mcmahon@fns.usda.gov](mailto:ann.mcmahon@fns.usda.gov).

State agencies are reminded to distribute this memorandum and attachment to program operators immediately. State agencies with questions should contact the appropriate FNS Regional office.

**Original Signed**

Cynthia Long  
Deputy Administrator  
Child Nutrition Programs

Attachments