



Food and Nutrition Service

U.S. DEPARTMENT OF AGRICULTURE

DATE: February 6, 2024

MEMO CODE: SP 12-2024, CACFP 04-2024

SUBJECT: Fiscal Year 2024 Reallocation of State Administrative Expense Funds in Child Nutrition Programs

TO: Regional Directors
Child Nutrition Programs
All Regions

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

This memorandum provides the information needed to conduct the FY 2024 reallocation of State Administrative Expense (SAE) funds in the Child Nutrition Programs (CNPs). Reallocation is a formal process by which State agencies can request additional SAE funds above their initial authorized funding level. Please be reminded that several updates to the carryover and reallocation of SAE funding went into effect in fiscal year (FY) 2020. For additional information, refer to policy memo SP-09-2020, CACFP-04-2020, [Updated Instructions for the Recovery and Reallocation of State Administrative Expense \(SAE\) Funds in Child Nutrition Programs](#).

FY 2024 Reallocation Requests

State agencies may request SAE reallocation funds for any allowable expense associated with the administration of the CNPs, including related Food Distribution Programs, as described under 7 CFR 235.6. In FY 2024, FNS encourages State agencies that solely operate the Child and Adult Care Food Program (CACFP) to apply with funding requests. Further, FNS encourages State agencies to prioritize funding requests that enhance the integrity of the CNPs related to the Child Nutrition Programs Integrity Final Rule, and efficiency improvements in Food Distribution Programs for Schools.

Each year all State agencies are required to submit the [SAE Funds Reallocation Report \(FNS-525\)](#) to their respective USDA FNS Regional Office on the use of SAE funds and requests for SAE reallocation. For FY 2024, FNS requests that no later than **March 1, 2024**, all State agencies submit to their respective FNS Regional office their completed FNS-525 including requests for SAE reallocation funds.

Carryover

State agencies must ensure that the *total* amount of SAE funds (initial allocation *plus* reallocation and transfers for States receiving, or *minus* transfers in the case of those transferring out) carried over into FY 2025 does not exceed an amount equivalent to 20 percent of the total amount of all SAE allocations received in FY 2024.

State SAE Plans

The State's SAE Plan must reflect an estimate of the planned use of SAE funds through the end of FY 2024. An amendment to the SAE Plan must be made and approved by the appropriate FNS Regional office for any substantive changes in planned activities or planned expenditures on activities as a result of receiving SAE reallocation funds. If SAE reallocation funds are used for Summer Food Service Program (SFSP) purposes, the associated management and administration plan (MAP) may also need to be amended accordingly, as per 7 CFR 225.4.

SAE Recovery

On August 23, 2023, the FNS published the [Child Nutrition Program Integrity Final Rule, 88 FR 57792](#), which established changes to the SAE recovery process in FY 2023 and going forward. The final rule amended 7 CFR 235.5(d) and (e) to require State agencies to return any **unobligated** SAE or SAE reallocation funds to FNS at the end of the FY following the FY for which the funds are awarded. Previously, the SAE recovery process required State agencies to return any **unexpended** SAE or SAE reallocated funds. **Previously**, State agencies were required to obligate and expend funds by September 30 of the second year of the grant and to return to FNS any unexpended SAE funds. This regulatory 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).

FNS will recover SAE funds from any State agency that fails to obligate the approved amount of the SAE funds by the end of the grant period.

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

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| March 1, 2024 | State agencies submit FNS-525 SAE reallocation requests to Regional offices. |
| April 17, 2024 | FNS notifies State Agencies of SAE reallocation results. |
| Sept 30, 2024 | End of first year of FY 2024 SAE funds grant period. State agencies are allowed to carry over an unobligated amount no greater than 20 percent of the <u>total</u> FY 2024 SAE funds allocation into FY 2025 (initial allocation plus reallocation and plus or minus transfers). |
| Sept 30, 2024 | End of FY 2024 SAE reallocation funds grant period. All SAE reallocation funds awarded in FY 2024 must be obligated. |

State agencies with questions should contact the appropriate FNS Regional office.

Original Signed

Jessica Saracino
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 Child Nutrition Programs