



Food and  
Nutrition  
Service

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Braddock  
Metro Center

SUBJECT: Updated Instructions for the Recovery and Reallocation of State Administrative Expense (SAE) Funds in Child Nutrition Programs<sup>1</sup>

1320  
Braddock  
Place  
Alexandria  
VA 22314

TO: Program State Directors  
Special Nutrition Programs  
All States

CC: Program Directors  
Special Nutrition Programs  
All Regions

Grants Management Administration Service Directors  
All Regions

<b>Issuing Agency/Office:</b>	FNS/Child Nutrition Programs
<b>Title of Document:</b>	Updated Instructions for the Recovery and Reallocation of State Administrative Expense (SAE) Funds in Child Nutrition Programs
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<b>Replaces:</b>	N/A
<b>Summary:</b>	This memorandum provides information on changes to the State Administrative Expense (SAE) recovery and reallocation process that are new in Fiscal Year (FY) 2020. These include updates to the carryover calculation, lifespan of SAE reallocation funds, and allowable use of SAE reallocation funds. This is not a request for submissions.
<b>Disclaimer:</b>	<b>The contents of this guidance document do not have the force and effect of law and are not meant to bind the public in any way. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.</b>

<sup>1</sup>Pursuant to the Congressional Review Act (5 U.S.C. §801 et seq.), the Office of Information and Regulatory Affairs designated this waiver as *not major*, as defined by 5 U.S.C. § 804(2).

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This memorandum provides information on changes to the SAE recovery and reallocation process in Fiscal Year (FY) 2020 and going forward. It is not a request for submissions. Please be aware that the changes and clarifications outlined below do not impact SAE reallocation funds received in FY 2019.

## **Background**

SAE funds are allocated by the Food and Nutrition Service (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, Summer Food Service Program, and the Food Distribution Program. Reallocation is a formal process by which State agencies can request additional SAE funds above their initial authorized funding level, or return funds that they do not need. These funds are referred to as “SAE Reallocation” funds.

## **Changes to the SAE Reallocation Process**

### *Change in Carryover Threshold*

Beginning in FY 2020, State agencies will be able to carry over into the next fiscal year an amount equivalent to not more than 20 percent of that year’s *entire* SAE allocation, including their initial SAE allocation, reallocated funds, and transfers. Previously, State agencies were only permitted to carry over 20 percent of their *initial* SAE allocation. For State agencies that receive reallocation funds or transfers, this change will increase the total amount of SAE funds the State agency may carryover from one year to the next year.

While a State agency can carry over an amount *equivalent to* 20 percent of their initial, reallocation, and transferred funds, States may not actually carry over SAE reallocation funds into the next fiscal year. These funds *must* be expended during the fiscal year in which they were reallocated. As described above, SAE reallocation funds are prior year funds, and cannot be carried over into the following fiscal year. For example, FY 2020 reallocation funds, which are funds recovered from FY 2019, cannot be carried over into FY 2021 because doing so would exceed the mandated two-year lifespan of those funds.

Additionally, States are reminded that all SAE fund transfers between State agencies, to be considered in the 20 percent carry-over calculation, must be made no later than September 30<sup>th</sup> of the first fiscal year of the award. Transfers may occur thereafter, but they will not reduce the amount of funds a grantee must return to FNS.

### *Lifespan of Reallocated Funds*

Pursuant to 42 U.S.C. § 1776(d) each year’s Child Nutrition SAE reallocation is available for the fiscal year immediately following the fiscal year in which such funds were made

available. This means State agencies must obligate and expend, i.e. liquidate, all SAE reallocation funds by September of the fiscal year in which they are awarded. It has come to our attention that historically, this requirement has not been consistently applied. The clarifications in this memorandum are intended to ensure the SAE reallocation process is consistent with statutory and regulatory requirements.

By **September 30, 2020**, State agencies must obligate and expend i.e, liquidate, the reallocation funds received in FY 2020.

FNS understands that this timeframe to obligate and expend SAE reallocation funds may be challenging. As such, FNS stands ready to provide needed technical assistance to help State agencies more quickly obligate and spend their SAE reallocation funds. Furthermore, the other adjustments to the SAE reallocation process detailed in this memo are intended to enhance overall flexibility in the use of these funds.

#### Allowable Uses of SAE Reallocation Funds

As in the past, 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. ***There will no longer be a stipulation that SAE reallocation funds be prioritized for special one-time only projects.*** SAE reallocation funds may be used by State agencies for any allowable SAE expense. For example, a State agency may use SAE reallocation funds for staff salaries, freeing up newer SAE funds with longer availability for other projects. ***States are reminded that by using their oldest SAE funds first, they can often maximize the resources available to their Program(s) over time.***

#### Reporting Requirement and Reallocation Request Process

State agencies must continue to 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.

State agencies seeking reallocated funds will continue to make requests through the FNS-525 reporting process, detailing the amount of funds requested and a basic description of how the State agency anticipates the funds will be spent.

For further details and instructions on the FY 2020 SAE reallocation process, refer to policy memo SP-10-2020, CACFP-05-2020, *Fiscal Year (FY) 2020 Reallocation of State Administrative Expense (SAE) Funds in Child Nutrition Programs*.

State agencies are directed to contact the appropriate FNS Regional Office with questions.

**Original Signed**

Sarah E. Smith-Holmes  
Director  
Program Monitoring and Operational Support Division  
Child Nutrition Programs

**Original Signed**

Lynn Rodgers-Kuperman  
Acting Director  
Grants and Fiscal Policy Division  
Office of Financial Management