

# **Administrative Costs in the Child and Adult Care Food Program**

## **Results of an Exploratory Study of the Reimbursement System for Sponsors of Family Child Care Homes**

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### **Abstract**

Providers of child day care services operating out of their homes may be reimbursed for meals and snacks served to participating children through USDA's Child and Adult Care Food Program (CACFP). To participate, these homes must be sponsored by a public or private organization that recruits the homes, trains them to follow CACFP rules, monitors compliance with the rules, and handles meal reimbursement claims and payments. CACFP reimburses sponsors for the administrative expenses incurred in conducting these activities. In 1996, Congress instituted a meal reimbursement system to better target benefits to low-income providers and children. The system created new administrative tasks for sponsors and a need for more time to be spent on some of the tasks conducted previously. This situation has raised concerns as to the adequacy of reimbursements. The decline in the number of CACFP sponsors—a 6 percent drop between 1995 and 2001—has further added to the concern. To address the issue, this study explores the administrative cost reimbursement system for CACFP sponsors that oversee the family child care homes portion of the CACFP. Costs reported by sponsors on average were about 5 percent higher than allowable reimbursement amounts. The report also presents and discusses alternative administrative reimbursement systems used by other Federal programs.

**This study was conducted by Resource Network International and ORC Macro under a cooperative research contract with USDA's Economic Research Service (ERS) Food and Nutrition Assistance Research Program (FANRP) (ERS project representative: Joanne Guthrie). The views expressed are those of the authors and not necessarily those of ERS or USDA.**



## **Executive Summary**

**Issue:** Family child care homes may receive reimbursements for meals and snacks served to participating children through USDA's Child and Adult Care Food Program (CACFP). To participate, these homes must be sponsored by a public or private organization that trains them to follow CACFP rules, monitors compliance with these rules, and handles meal reimbursement claims and payments. Sponsors are reimbursed by CACFP for the administrative expenses incurred in conducting these activities.

In 1996, as part of the Personal Responsibility and Work Opportunity Reconciliation Act, Congress instituted a two-tiered meal reimbursement system designed to better target benefits to low-income providers and children. This system created new administrative tasks for CACFP sponsor organizations. In addition, many sponsors believe that it also created a need for more time to be spent on some of the administrative tasks they had conducted previously, such as recruitment and training (Bernstein and Hamilton). Given expanded administrative responsibilities, the adequacy of sponsor reimbursements has been questioned. To shed more light on this issue, this study explored the administrative cost reimbursement system for CACFP sponsors that oversee the family childcare homes portion of the CACFP.

### **Background**

The CACFP helps ensure that children and adults who attend day care facilities receive nutritious meals and snacks. The care providers are reimbursed for each type of qualifying meal (breakfast, lunch/supper, or snack) they serve. Almost all participants are children; approximately 36 percent attend family day care homes (Food Assistance Landscape, September 2005). Meals and snacks served by participating child care homes must meet nutritional standards established by the Food and Nutrition Service (FNS) of USDA.

The current two-tiered reimbursement system provides a higher meal reimbursement to homes that are either located in low-income areas or run by providers with family incomes at or below 185 percent of the Federal poverty guideline—these are designated as Tier I. An area is considered low-income if 50 percent or more of the children at the local elementary school have applied and been approved for free or reduced price school meals, or if 50 percent or more of the children in the area are in families with incomes at or below 185 percent of the Federal poverty guidelines as measured by the most recent decennial census. Meal reimbursement rates for Tier I homes are comparable to the rates that existed for all CACFP homes before PRWORA. Family child care homes that do not meet the low-income criteria are designated as Tier II. Tier II homes receive lower reimbursements; although they can be reimbursed at Tier I rates for meals served to children from families with incomes at or below 185 percent of the poverty guideline, given appropriate documentation.

Care providers purchase foods and prepare meals. However, to receive reimbursement for their meal expenses, they must be sponsored by an organization that has entered into an agreement with the State office to administer the program at the local level. Sponsors are responsible for

recruiting homes, determining that homes meet the CACFP eligibility criteria, determining their tier status, providing training and other support, and monitoring the homes to assure that they comply with applicable Federal and State regulations. Sponsors receive and verify the homes' claims for CACFP reimbursement, forward the claims to State CACFP offices for payment, receive the reimbursements, and distribute the meal reimbursements to the homes. Sponsors receive payments for these administrative activities that are based on a four-part formula—the lowest amount of (1) actual costs, (2) State-approved budgeted costs, (3) the sum of a rates-times-homes schedule, or (4) 30 percent of total meal reimbursements and administrative costs. The rates-times-homes schedule accounts for economies of scale by reimbursing sponsors at decreasing rates as the number of homes sponsored increases.

Institution of the two-tiered system resulted in targeting the family childcare home aspect of CACFP more towards low-income providers and children. However, it added to sponsors' administrative responsibilities, with sponsors rating tiering determinations as their most burdensome duties. Many sponsors also reported that after institution of the new system, they found they needed to spend more time on recruitment and training. This has raised concerns as to the adequacy of administrative reimbursements. The decline in the number of CACFP sponsors—a 6 percent drop between 1995 and 2001—has further added to this concern (Bernstein and Hamilton).

In response to these concerns, this exploratory study of the CACFP administrative reimbursement system for sponsors of family child care homes examined a number of issues using a variety of research methods. A first objective was to identify the essential administrative duties sponsors must perform; this was done by convening an expert panel of CACFP sponsors and State administrators. Second, the study investigated the extent of information on sponsor characteristics, costs, and reimbursement available from State CACFP offices via a census of the State offices. Third, to assess feasible approaches for collecting detailed cost information directly from sponsors, site visits to five sponsors in different States were conducted. Fourth, to assess the feasibility of strategies for establishing benchmarks for major costs such as personnel and space, relevant public and private data sources were reviewed. Fifth, to consider alternative cost reimbursement system options, other Federal programs with somewhat similar administrative organizations were identified and their administrative reimbursement systems were reviewed.

## **Findings**

Necessary administrative activities of CACFP sponsors were grouped into six functional areas. These included a) recruitment, b) training, c) monitoring, d) tier determination, e) reimbursement, and f) supervision/office management.<sup>1</sup> Data on sponsor characteristics, costs reported to State agencies, and reimbursements were received from 49 of the 53 State offices that channel Federal reimbursements to sponsors. Findings indicate most sponsors are private nonprofit organizations (80 percent) and that about three-quarters are multi-purpose agencies,

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<sup>1</sup> Since the meeting of the expert panel, additional administrative tasks have been added by new rules designed to strengthen the integrity of the family childcare component of CACFP.

handling CACFP sponsorship along with other activities. The majority are relatively small, with about 80 percent administering 200 or fewer homes, and nearly all (92 percent) had been CACFP sponsors for more than 6 years. Consistent with the findings from previous research that family childcare homes are now more likely to be Tier I, most sponsors (80 percent) report that more than half of the homes they serve are Tier I.

The State Census data indicate that sponsor reimbursements were 14.5 percent of the total meal and administrative cost reimbursements in the family childcare homes portion of the CACFP in Fiscal Year 2000. Nationally, 52 percent of sponsors were reimbursed at the homes-times-rate limit, 42 percent were reimbursed at the level of reported costs, and the remaining sponsors were reimbursed at the other limits. Overall, costs reported by CACFP sponsors to State agencies were similar to amounts reimbursed; however, reported costs tended to be slightly higher than reimbursement amounts, by about 5 percent, on average. Because this study did not include a formal audit, the accuracy and completeness of cost reporting cannot be guaranteed. Some reported costs may have been judged unallowable as CACFP expenses if audited. About half of the responding State agencies indicated they believed that some sponsors underreported allowable costs, possibly because those costs were being covered through some other mechanism or because they did not claim costs that exceed the homes-times-rate limit. The five case study visits were consistent with State office perceptions; all of the sponsors visited had some allowable CACFP costs that were covered by in-kind contributions.

Examination of expenses budgeted by sponsors indicated personnel costs to account for more than three-quarters (76.5 percent) of the budget. Office rent, utilities, benefits, and equipment expenses were frequently unreported, perhaps because these costs were being covered by some other mechanism. Budget categories did not correspond to administrative functions identified by the expert panel, and so could not be used to estimate costs associated with each function. The five case study visits indicated wide variation in the allocation of staff resources to the identified essential functions. To measure what it costs to perform the necessary sponsor functions, it may be necessary to conduct a more detailed study, such as the one used to develop the current homes-times-rates reimbursement approach (Glantz et al., 1982).

Staffs employed by CACFP sponsors typically carry out a range of tasks of varying complexity; therefore identifying appropriate wage benchmarks requires some judgment. Nevertheless, public and private sources of data on average wages by industry and occupation for States and metropolitan areas do exist and can help State CACFP offices assess the reasonableness of sponsors' personnel costs. Since personnel costs are by far the largest sponsor expenses, this should be a useful resource. Office space is a much smaller portion of budgeted expenses, perhaps because it is often covered by non-CACFP sources; however, the sources of information on local area average rents that were identified by the study may also be useful to State offices in assessing reasonableness of sponsors' rent expenses.

Six other Federal programs were identified that had somewhat similar administrative structures to that of the family childcare homes component of CACFP. These programs varied considerably in their administrative reimbursement procedures, and in the percent of total

funding that went to reimbursement of administrative costs. The systems used by these Federal programs may suggest alternative strategies for CACFP—for example, akin to WIC, States could be given authority to contract with sponsors to provide administrative services for a fixed annual fee. However, for conclusive recommendations to be made, further examination of administrative costs by current function, and pilot testing of alternative administrative systems would be needed.

## Introduction

The Child and Adult Care Food Program (CACFP) is a Federal food assistance program administered by the U.S. Department of Agriculture's Food and Nutrition Service (FNS). The CACFP primarily subsidizes healthy meals and snacks served in day care facilities, including childcare centers, after-school-hours childcare centers, family and group childcare homes, and adult day care centers. This report presents findings of the CACFP Administrative Cost Reimbursement Study. The study explored the administrative cost reimbursement system for sponsoring organizations that oversee the family childcare homes portion of the CACFP.

For childcare homes to participate in the CACFP, they must be sponsored by a public or private nonprofit organization that assumes responsibility for ensuring compliance with Federal and State regulations and that acts as a conduit for meal reimbursements. Sponsors are reimbursed for these CACFP administrative activities. Federal meal and administrative cost reimbursements are channeled through State offices, except in Virginia where the CACFP is administered by FNS's Mid-Atlantic Regional Office.

The administrative cost reimbursement for sponsors of participating childcare homes is limited by law to the lowest of:

- the sponsor's actual allowable costs;
- a budgeted amount approved by the State CACFP office;
- the sum of a homes-times-rates schedule (see Table 1); or
- 30 percent of the combined meal reimbursements to sponsored home childcare providers and the administrative payments to the sponsor.

State CACFP offices must apply these four limits when they calculate the monthly amount to reimburse each sponsor. To find out more about the Program, see the CACFP sections of the ERS website at <http://www.ers.usda.gov/Briefing/ChildNutrition/cacfp.htm> and the FNS website at <http://www.fns.usda.gov/cnd/Care/CACFP/cacfphome.htm>.

**Table 1**  
**Administrative Cost Reimbursement Rates for CACFP Sponsors of Family Childcare Homes, July 2004-June 2005**

	Initial 50 Homes	Next 150 Homes	Next 800 Homes	Each Additional Home
	<i>Dollars per home per month</i>			
Contiguous States	88	67	53	46
Alaska	143	109	85	75
Hawaii	103	79	62	54

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This study was designed to explore:

- Duties sponsors must perform to appropriately administer participating childcare homes,
- The extent of cost, reimbursement, and sponsor characteristic information that could be obtained from State CACFP offices,
- Approaches for collecting detailed administrative cost information directly from sponsors,
- Major cost benchmarks, and
- Alternative cost reimbursement systems.

Our study methods varied based on the research question to be explored. To determine the duties required for sponsors to appropriately administer the CACFP in participating childcare homes, we convened an expert panel. To collect information on budgets, administrative costs, reimbursements, and sponsor characteristics, we conducted a census of sponsor information from State CACFP offices. To determine the level of detail available beyond the extent of the census, as well as the burden involved with direct information collection from sponsors, we conducted site visits to five sponsors in different States. To assess the feasibility of setting benchmarks, we reviewed public and private sources of data on area wages and office space costs. And, to explore alternative systems, we conducted a review of other Federal programs' administrative reimbursement systems. Results of these exploratory activities follow.

## Necessary Sponsor Functions

The expert panel, comprised of 7 sponsoring organization administrators and 5 State CACFP office directors, grouped necessary activities of sponsor organizations into six functional areas. Those functional areas provided the basis for interviewing pretest sponsors about the resources they used to perform necessary administrative activities.

The six administrative functional areas identified by the expert panel are:

- Recruiting
- Training
- Monitoring
- Tier determination<sup>1</sup>
- Reimbursement
- Supervision/office management

The panel also identified specific tasks associated with each of the categories. Recruiting encompassed materials development, community outreach, advertising, and completing initial inspection and agreement with new CACFP providers. Training activities included the presentation of workshops or seminars and the developmental and logistic activities associated with the conduct of formal training activities. Training also included materials for and conduct of ongoing education of providers in their homes and staff at the office.

Monitoring activities involved, but were not limited to, organizing, scheduling, and planning visits; making scheduled and unannounced visits; verifying enrollment, license, and meal records; completing relevant reports; and solving problems with providers. Reimbursement

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<sup>1</sup> Homes located in low-income areas and those in which the providers' own household incomes are at or below 185 percent of the poverty guideline qualify for higher Tier I meal reimbursement rates. A low-income area is defined as either a census block group where at least half of the children live in families with incomes at or below 185 percent of the Federal poverty guideline or an area served by an elementary school in which at least half of the enrolled children are eligible for free or reduced-price school meals. Homes that are neither located in a low-income area nor operated by a low-income provider qualify for lower Tier II reimbursement rates. Tier II homes can still receive the higher Tier I reimbursement rates for meals served to children from families with incomes at or below 185 percent of the Federal poverty guideline, but each child's eligibility must be determined by the home's sponsor. The current rates are:

### Meal Reimbursement Rates for CACFP Day Care Homes, July 2004– June 2005

	Breakfast		Lunch or Supper		Snack	
	Tier I	Tier II	Tier I	Tier II	Tier I	Tier II
	<i>Dollars per meal</i>					
Contiguous States	1.04	.39	1.92	1.16	.57	.15
Alaska	1.64	.59	3.11	1.88	.92	.25
Hawaii	1.20	.44	2.25	1.35	.67	.18

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involved record keeping, checking, correcting, and reporting activities from the provider to the State level. Filing accurate claims with the State office and sending accurate reimbursements to the providers are the core purpose of the reimbursement function area and its record keeping activities.

Tier determination included compiling income applications, maintaining and updating tier status, and documenting providers' and some children's tier statuses. Supervision/office management included activities needed to keep the staff and office functioning. Appendix A provides the complete list of associated activities by category.<sup>2</sup>

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<sup>2</sup> Since our expert panel met, new integrity rules have been adopted. Within the reimbursement function, checking each home's monthly meal reimbursement claim for 15 consecutive days of the same meals served to the same child is now required. If found, the sponsor is required to make an unscheduled visit to the home within the next two months to determine whether the claim is correct or if the provider is "block claiming" meals for one or more children who were not that consistently in attendance. The State office may grant an additional month's time to make the unscheduled visit, if the sponsor does not have enough staff to make all such visits within the two month timeframe.

## **Sponsor Characteristics, Costs, Reimbursements, and Budgets**

To determine how sponsors are currently being reimbursed and how administrative costs vary by sponsor characteristics, we obtained OMB clearance to collect data on sponsors' characteristics, reported costs, reimbursements, and budgets from all State agencies. The census packages were sent to 53 States (including the District of Columbia and the Territories of Puerto Rico and Guam). The State response was 49 (92.5 percent). New Hampshire, New Jersey, North Carolina, and the District of Columbia did not respond. This response rate was comparable to the percentage of represented sponsors. Respondent States provided some to all of the requested information on 980 sponsoring agencies. States provided complete information on FY2000 homes, meal and administrative cost reimbursements, reported administrative costs, and the State-calculated homes-times-rates limit on 940 sponsors. Because those variables are necessary to analyze the relationship between reimbursements and reported costs, this report is based on the 940 sponsors with complete information. Based on December 2001 FNS administrative data, the missing States would have been expected to report on 74 sponsors. Therefore, the total number of sponsors would be approximately 1,054, with total response being 93 percent and complete information response being 89 percent.

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**Sponsor Characteristics.** Almost 80 percent of sponsors administering CACFP family childcare homes are private nonprofit organizations (table 2). This characteristic is of interest because public sponsors must function under the rules of their public entity, such as specific pay scales for workers or hiring freezes. On the other hand, private nonprofits may set their own operating procedures, given that they obey Federal and State rules required to qualify as a nonprofit organization.

About three-quarters of sponsors are multipurpose, doing other business along with administration of the CACFP. Multi-purpose sponsors may be able to rely on income from other sources to support their CACFP activities while sole-purpose sponsors have only the CACFP administrative cost reimbursements to support their required CACFP functions. But, multi-purpose sponsors may also have standard wage rates or shared office usage fees across activities that may raise or lower the cost of administering CACFP homes compared with sole-purpose sponsors' costs.

Nearly all sponsors have been in the Program for more than 6 years (92 percent). Our Expert Panel thought that longer tenure in the Program would mean more experience with rules and possible cost-saving processes.

The majority of sponsors are relatively small, administering 200 or fewer homes. And, half of them

**Table 2  
Characteristics of Sponsoring Organizations**

Characteristic	Number	Percent
Type of Organization		
Public	205	21.8
Private	733	78.0
Missing	2	0.2
Program Focus		
Sole Purpose	257	27.3
Multi-Purpose	673	71.6
Missing	10	1.1
Time Spent as Sponsor		
Less than One Year	3	0.3
One to Three Years	29	3.1
Four to Six Years	43	4.6
More than Six Years	862	91.7
Missing	3	0.3
Number of Homes Claimed		
1 to 50	351	37.3
51 to 200	389	41.4
201 to 1,000	174	18.5
1,001 or more	26	2.8
Share of Homes that are Tier I		
0 to 25 percent	46	4.9
26 to 50 percent	140	14.9
51 to 75 percent	258	27.4
More than 75 percent	496	52.8
Urbanization		
Rural	145	15.4
Urban	121	12.9
Suburban	120	12.8
Urban/Suburban	88	9.4
Rural/Suburban	134	14.3
Urban/Suburban/Rural	281	29.9
Missing	51	5.4
Service Area Covered		
Single City	147	15.6
Multi-City	81	8.6
Single County	136	14.5
Multi-County	514	54.7
Statewide	59	6.3
Missing	3	0.3
Area Also Served by Other Sponsors?		
Yes	722	76.8
No	199	21.2
Not Sure	15	1.6
Missing	4	0.4
Total sponsors	940	100.0

have three-quarters or more Tier I homes. These two characteristics relate to the administrative cost reimbursement limits. As shown in Table 1, the homes-times-rate schedule provides smaller sponsors with a higher limit on per-home reimbursement. For example, a sponsor of 50 homes would have a monthly homes-times-rates cap of \$4,400 ( $\$88 \times 50$ ) or \$88 per home. A sponsor of 1,000 homes would have a monthly cap of \$56,850 ( $\$88 \times 50 + \$67 \times 150 + \$53 \times 800$ ) or \$56.85 per home. This sliding scale assumes increasing economies of scale in providing services as sponsors administer larger numbers of homes. Tier I homes are reimbursed at higher amounts per meal than Tier II homes. This means that a sponsor with more Tier I homes passes through a larger amount of meal reimbursements than a sponsor with more Tier II homes, providing a higher 30-percent-of-total limit on administrative reimbursements. For example, a sponsor with 50 Tier I homes that served 10 children the most common combination of CACFP meals and snacks—breakfast, lunch, and a snack—on 20 days during January 2005 would pass through \$35,300 in meal reimbursements, allowing for a 30-percent-of-total cap on administrative reimbursement of \$15,128.57. That same scenario, but with all Tier II homes, would generate \$17,000 in meal reimbursements, allowing for a 30-percent-of-total cap on administrative reimbursement of \$7,285.71, less than half of the all Tier I homes sponsor's cap. However, the homes-times-rate cap of \$4,400 for sponsors of 50 homes would ultimately cap both sponsors at that lower amount. Only sponsors of homes that serve very few meals and snacks during a month would have a lower 30-percent cap than homes-times-rates cap.

The largest share of sponsors (31 percent) serves a mix of urban/suburban/rural areas. And, the most frequently covered service area is multi-county, with 56.5 percent of sponsors reported in this category. Three-quarters of sponsors serve homes in areas that are also served by other sponsors. Area size and level of urbanization may affect costs of providing administrative services. For example, longer distances to monitor widely scattered rural homes may raise per-home travel costs or monitoring visits to homes in highly crime-ridden urban neighborhoods may require incurring protective services costs. The expert panel felt that competition among sponsors for homes in the same area is frustrating and costly as sponsors take homes from one another.<sup>3</sup> The sponsor losing a home may not have had enough months of claiming that home to have recouped the costs of recruiting it into the Program before another sponsor takes it away. While the taking sponsor may not claim recruitment costs for a participating home as an administrative cost, that sponsor benefits from getting to claim an already recruited and trained home.

***Reported Costs Compared With Reimbursements.*** State CACFP offices reported the total amount of administrative costs that each sponsor had reported on its claims during FY2000. They also reported the total amount of administrative cost reimbursement each sponsor had received during that fiscal year. Although sponsors are allowed to claim only allowable costs and State offices may question seemingly unrealistic claims, some of the costs that were reported by some sponsors might not have been allowable. This exploratory study did not have the resources to audit sponsors' reported costs. Anecdotally, some of our expert panel members said that they knew that their allowable costs in some months exceeded one of the reimbursement limits, so, since they would not be reimbursed for all of them, they did not bother reporting all of their

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<sup>3</sup> Since our Expert Panel convened, new integrity rules were instituted nationwide that, among many other things, limit participating homes to no more than one sponsor change per year. This rule may have lessened the costs sponsors experienced from more frequent movement of homes among sponsors.

allowable costs. Other panel members had found free space for their offices to free up CACFP reimbursements for required services to homes, so rental costs are not part of the costs they report. If other sponsors are not reporting all allowable costs or are finding ways to substitute in-kind for allowable costs, the reported costs may not accurately reflect what it truly costs to administer CACFP childcare homes. Comparisons made between reported costs and reimbursements should be viewed with these possible over- and under-reporting limitations in mind.

Average administrative reimbursements and reported costs by sponsor characteristic are shown in table 2. Reported costs were consistently higher than reimbursements received, nationally and for all types of sponsors. This means that for the average sponsor, at least one of the other three reimbursement limits was lower than their reported costs.

Nationally, the gap between average reported costs and reimbursements is about 5 percent. For most types of sponsors that gap is between 1 and 10 percent. Small sponsors of 50 or fewer homes, those serving a single city, and those in the program for 4 to 6 years average about a 15 percent gap between reported costs and reimbursement. Small sponsors run the greatest risk of running up against the 30 percent limit. Most of the sponsors in the single city category and half of those in the 4 to 6 years of sponsorship category are small sponsors.

**Table 2**  
**Average administrative cost reimbursements and reported costs by sponsor characteristics**

Characteristic	Sponsors	Administrative cost reimbursement	Reported costs	Ratio of reimbursements to reported costs
	<i>Number</i>	<i>-----Dollars-----</i>		<i>Percent</i>
Type of Organization				
Public	205	72,538	78,672	92.2
Private	733	126,802	132,458	95.7
Program Focus				
Sole Purpose	257	139,221	144,442	96.4
Multi-Purpose	673	106,688	112,622	94.7
Time Spent as Sponsor				
Less than One Year	3	7,782	7,844	99.2
One to Three Years	29	65,428	71,595	91.4
Four to Six Years	43	54,120	64,199	84.3
More than Six Years	862	120,106	125,657	95.6
Service Area Covered				
Single City	147	32,125	36,950	86.9
Multi-City	81	81,137	87,926	92.2
Single County	136	91,270	101,478	89.9
Multi-County	514	120,226	124,805	96.3
Statewide	59	378,131	384,833	98.3
Urbanization				
Rural	145	63,077	67,773	93.1
Urban	121	54,372	59,994	90.6
Suburban	120	78,400	84,429	92.9
Urban/Suburban	88	147,024	156,434	94.0
Rural/Suburban	134	77,463	81,565	95.0
Urban/Suburban/Rural	281	194,941	200,433	97.3
Area Served by Other Sponsors?				
Yes	722	127,334	132,922	95.8
No	199	70,901	77,581	91.4
Not Sure	15	102,550	104,531	98.1
Number of Homes				
1 to 50	351	22,479	26,361	85.2
51 to 200	389	85,236	90,426	94.3
201 to 1,000	174	250,045	259,955	96.2
More than 1,000	26	895,494	906,907	98.7
Percent Tier I Homes				
0 to 25	46	81,554	85,201	95.7
26 to 50	140	187,666	195,535	96.0
51 to 75	258	127,610	132,380	96.4
Over 75	496	90,503	96,355	93.9
Total	940	114,721	120,468	95.2

To assess the combined relationship of sponsor characteristics with administrative cost reimbursements and reported costs, we ran ordinary least squares (OLS) regressions with standard errors adjusted for heteroskasticity. The characteristics were entered as a series of dummy variables along with four continuous variables of the average monthly number of homes the sponsor claimed for meal reimbursement during FY2000. Sponsors with 1 to 50 homes, 51 to 200 homes, 201 to 1,000 homes, and more than 1,000 homes form the four 'number of homes' groups to take the homes-times-rates reimbursement limit into account. The dummy variables and left-out groups that their coefficients represent the difference from are shown in Table 3.

**Table 3**  
**Characteristics represented by dummy variables**

<i>Characteristic</i>	<i>Dummy variable(s)=1</i>	<i>Comparison group(s)=0</i>
Type of organization	P = Public	Private
Program focus	S = Sole-purpose	Multi-purpose
Service area covered	C = Single city M = Multi-county T = Statewide	Multi-city and single county
Urbanization	R = Rural U = Urban, suburban, and urban/suburban	Rural/suburban and urban/suburban/rural
Time spent as a sponsor	Y = More than 6 years	All shorter time periods in the Program
Competing sponsors in area?	O = No	Yes
Share of homes that are Tier I	L = 0 to 25 percent G = 26 to 50 percent H = More than 75 percent	51 to 75 percent

With the administrative cost reimbursement represented as ACR and reported administrative costs represented as RAC, the OLS model equations are:

$$ACR = \beta_0 + \beta_1 H1\_50 + \beta_2 H51\_200 + \beta_3 H201\_1000 + \beta_4 H\text{over}1000 + \beta_5 P + \beta_6 S + \beta_7 C + \beta_8 M + \beta_9 T + \beta_{10} R + \beta_{11} U + \beta_{12} Y + \beta_{13} O + \beta_{14} L + \beta_{15} G + \beta_{16} H + \varepsilon$$

$$RAC = \beta_0 + \beta_1 H1\_50 + \beta_2 H51\_200 + \beta_3 H201\_1000 + \beta_4 H\text{over}1000 + \beta_5 P + \beta_6 S + \beta_7 C + \beta_8 M + \beta_9 T + \beta_{10} R + \beta_{11} U + \beta_{12} Y + \beta_{13} O + \beta_{14} L + \beta_{15} G + \beta_{16} H + \varepsilon$$

The models explain 96 and 95 percent of the variation in reimbursements and reported costs, respectively (table 4). The four number of homes sponsored variables are by far the most important factors in both models, which is no surprise given that the amount of administrative work a sponsor does depends on the number of homes the sponsor recruits, assigns to a tier, trains, monitors, and reimburses. And, the home-times-rates reimbursement limit is represented in the four 'number of homes' variables.

**Table 4**  
**Regression Results**

<b>Model 1 – Administrative Cost Reimbursements Received in FY2000</b>				
Independent variable	B (unstandardized coefficient)	Standard error	t	Significance
Number of homes:				
<=50	540.820 ***	71.142	7.60	0.000
51-200	631.624 ***	18.262	34.59	0.000
201-1000	579.850 ***	9.806	59.13	0.000
>1000	497.538 ***	20.648	24.10	0.000
P (public)	-3476.760	4108.569	-0.85	0.398
S (sole-purpose)	4373.361 *	2043.147	2.14	0.033
C (one city)	-9373.564	6577.566	-1.43	0.154
M (multi-county)	6463.843	3912.055	1.65	0.099
T (statewide)	20856.430	12608.990	1.65	0.098
R (rural)	-6355.780	5014.857	-1.27	0.205
U (urban/suburban)	4573.600	4623.266	0.99	0.323
Y (> 6 years in CACFP)	17890.740	9485.928	1.89	0.060
O (no competition)	-521.811	6633.578	-0.08	0.937
L (0-25% Tier I)	-26505.510	17909.580	-1.48	0.139
G (26-50% Tier I)	-2029.169	2543.876	-0.80	0.425
H (>75% Tier I)	-4104.007 *	1974.797	-2.08	0.038
Constant	-511.417	9854.065	-0.05	0.959

R<sup>2</sup>=0.958

<b>Model 2 – Reported Administrative Costs in FY2000</b>				
Independent variable	B (unstandardized coefficient)	Standard error	t	Significance
Number of homes:				
<=50	520.839 ***	80.214	6.49	0.000
51-200	647.269 ***	22.919	28.24	0.000
201-1000	592.116 ***	11.624	50.94	0.000
>1000	503.432 ***	21.852	23.04	0.000
P (public)	-2820.387	4805.874	-0.59	0.557
S (sole-purpose)	3832.208	2798.024	1.37	0.171
C (one city)	-13562.850	7657.643	-1.77	0.077
M (multi-county)	1906.071	4443.190	0.43	0.668
T (statewide)	15541.240	13230.570	1.17	0.240
R (rural)	-6236.108	5707.163	-1.09	0.275
U (urban/suburban)	5536.769	5039.758	1.1	0.272
Y (> 6 years in CACFP)	14760.980	10178.410	1.45	0.147
O (no competition)	1181.692	6988.696	0.17	0.866
L (0-25% Tier I)	-28347.670	18358.830	-1.54	0.123
G (26-50% Tier I)	-60.117	3889.014	-0.02	0.988
H (>75% Tier I)	-2837.754	2365.013	-1.2	0.230
Constant	8346.255	10941.230	0.76	0.446

R<sup>2</sup>=0.948

\* = Statistically significant at the 0.05 level.

\*\* = Statistically significant at the 0.01 level.

\*\*\* = Statistically significant at the 0.001 level.

Only two of the characteristics have small, statistically significant, relationships with reimbursements after controlling for the sponsors' numbers of homes and other characteristics. Sole-purpose sponsors have slightly higher reimbursements than multi-purpose sponsors, and sponsors with over 75 percent Tier I homes are reimbursed slightly less than sponsors with 51 to 75 percent Tier I homes. Only the 'number of homes' variables are significant in the reported costs model. None of the other characteristics are statistically significant, but they do have the same direction of relationship with reported costs as they do with reimbursements.

We ran another pair of regressions with additional dummy variables representing 6 of the 7 FNS regions. The Western region was the comparison region. Adding regions did not add to the already high share of the variation in reimbursements or costs that the shown models explain. And, the 'number of homes' variables continued to dominate the equations.

Overall, it appears that the administrative cost reimbursement system for CACFP family childcare home sponsors so closely pegs reimbursements to the number of homes that other characteristics of a sponsor's organization and service area have very little, if any, effect on reimbursements and reported costs. There is no accommodation in the reimbursement rules for higher reimbursement for longer travel distance, extra security needs in high-crime neighborhoods, higher area wage rates or office leasing fees, or any other factor that costs more for some sponsors than for others. Sponsors must find ways to cover any higher costs of doing business within the limits set by the national administrative cost reimbursement rules or find outside sources of funding or in-kind services if required services cost more than the reimbursement limits allow.

***Relationship of Reimbursements with the Four Limits.*** We calculated the difference between each sponsor's reimbursement and each of the four limits and identified the limit to which each sponsor's reimbursement was closest. We asked the States to report 3 of the limits--each sponsor's final approved budget amount, reported costs, and the homes-times-rates limit in FY2000. By summing the meal and administrative cost reimbursements the States reported for each sponsor, we obtained the total reimbursement amount needed to calculate the 30-percent limit. Table 5 shows how sponsors' reimbursements compare with the four limits. Most sponsors' reimbursements were closest to the homes-times-rates or the actual costs limits. Some of the limit amounts were identical, so a few sponsors' reimbursements matched more than one limit. Multiple matching happened most often when sponsors' reimbursements matched both their reported costs and the homes-times-rates limit.

**Table 5**  
**Legal Limit Amount Equal to Sponsor's Administrative Cost Reimbursement**

Reimbursement limit	Number	Percent
<=30 percent	27	2.9
Reported costs	388	41.3
Budget amount	29	3.1
Reported costs & Budget amount	3	0.3
Homes-times-rates	412	43.8
Homes-times-rates & Reported costs	75	8.0
Homes-times-rates & Budget amount	4	0.4
Homes-times-rates, Reported costs, & Budget amount	2	0.2
Total	940	100.0

Table 6 shows the limit closest to the reimbursement by sponsor characteristics. For simplicity in these comparisons, sponsors meeting both the actual cost and budget amount limit were merged with those meeting only the actual cost limit and sponsors meeting the homes-times-rates limit and one or two other limits were merged with those meeting only the homes-times-rates limit.

Nationally, 52 percent of the sponsors are reimbursed at the homes-times-rates limit, 42 percent are reimbursed at reported costs, and 3 percent are reimbursed at each of the other limits. Sole- and multi-purpose sponsors are distributed across the four limits very similarly to the national distribution. Nearly half of public organizations are reimbursed at reported costs while 57 percent of private organizations are reimbursed at the homes-times-rates amount.

A few small public sponsors that serve single cities and don't have competing sponsors in their service areas have their reimbursements limited by the 30-percent limit. The homes-times-rates limit is lower than the 30-percent-of-total limit except for sponsors with homes that generate little meal reimbursement by serving very few meals and snacks. Therefore, even within those categories, most sponsors have their actual costs or the homes-times-rates limit cap their reimbursements.

**Table 6  
Closest Legal Limit to Sponsor Reimbursements in FY2000, by Characteristic**

Characteristic	Sponsors	<=30% of total reim- bursement	Final budget amount	Actual costs	Homes- times-rates	Total
	<i>Number</i>	----- Percent -----				
<b>Type of Organization</b>						
Public	205	10.2	4.4	49.3	36.1	100.0
Private	733	0.8	2.7	39.4	57.0	100.0
<b>Program Focus</b>						
Sole Purpose	257	1.6	4.3	42.0	52.1	100.0
Multi-Purpose	673	3.4	2.7	41.6	52.3	100.0
<b>Number of Homes</b>						
1 to 50	351	7.1	2.6	39.0	51.3	100.0
51 to 200	389	0.5	3.6	37.0	58.9	100.0
201 to 1,000	174	0.0	3.4	55.2	41.4	100.0
More than 1,000	26	0.0	0.0	53.8	46.2	100.0
<b>Percent Tier I Homes</b>						
0 to 25	46	6.5	4.3	37.0	52.2	100.0
26 to 50	140	3.6	4.3	47.1	45.0	100.0
51 to 75	258	3.5	1.2	44.6	50.8	100.0
Over 75	496	2.0	3.6	38.9	55.4	100.0
<b>Service Area Covered</b>						
Single City	147	12.9	3.4	49.7	34.0	100.0
Multi-City	81	1.2	1.2	35.8	61.7	100.0
Single County	136	2.2	1.5	33.1	63.2	100.0
Multi-County	514	0.8	3.5	42.8	52.9	100.0
Statewide	59	0.0	5.1	37.3	57.6	100.0
<b>Urbanization</b>						
Rural	145	4.1	2.1	53.1	40.7	100.0
Urban	121	4.1	3.3	33.9	58.7	100.0
Suburban	120	5.0	2.5	45.8	46.7	100.0
Urban/Suburban	88	5.7	3.4	42.0	48.9	100.0
Rural/Suburban	134	1.5	3.7	44.8	50.0	100.0
Urban/Suburban/Rural	281	0.7	3.6	39.1	56.6	100.0
<b>Time Spent as Sponsor</b>						
Less than One Year	3	0.0	0.0	33.3	66.7	100.0
One to Three Years	29	0.0	3.4	51.7	44.8	100.0
Four to Six Years	43	2.3	11.6	41.9	44.2	100.0
More than Six Years	862	3.0	2.7	41.4	52.9	100.0
<b>Area Served by Other Sponsors?</b>						
Yes	722	0.7	3.0	41.0	55.3	100.0
No	199	11.1	3.0	41.7	44.2	100.0
Not Sure	15	0.0	6.7	66.7	26.7	100.0
<b>Total</b>	<b>940</b>	<b>2.9</b>	<b>3.1</b>	<b>41.6</b>	<b>52.4</b>	<b>100.0</b>

**Characteristics of Cost-Limited Sponsors.** The group of sponsors that was reimbursed closest to their reported costs (and that amount was not the same as any other limit) is of interest because they claimed less reimbursement than the other limits might have allowed. Is there something about these 388 sponsor organizations that make them more cost efficient in running the Program? Or are they simply working within the reimbursement rules to assure that they spend no more than the Program will reimburse? These questions cannot be definitively answered without a direct survey of sponsoring organizations. However, comparing the sponsors with costs lower than the other limits with the 412 sponsors that were solely limited by the homes-times-rates limit suggests some cost efficiency. The two groups of sponsors are referred to as cost-limited and rate-limited in the following analysis.

On average, the cost-limited sponsors receive higher administrative cost reimbursements than the rate-limited sponsors do, but their reimbursements are much lower compared with their budget and 30-percent limits than are the reimbursements of rates-limited sponsors (table 7). The mean and median reimbursements of cost-limited sponsors are within \$1,000 of their reported costs while the reimbursements of rate-limited sponsors are nearly \$11,000 less than their reported costs. While reported costs are closest of all the limits to the cost-limited sponsors' reimbursements, they may have had some costs disallowed by their State offices, so their average reimbursements are slightly lower than average reported costs. The mean and median reimbursements of rate-limited sponsors are, by definition, very near or exactly at the State-calculated homes-times-rates limit. The cost-limited sponsors' mean and median reimbursements are \$4,000-\$9,000 less than their homes-times-rates limits.

**Table 7**  
**Average Reimbursement and Limit Amounts for Cost- and Rate-Limited Sponsors**

Group	Measure	Admin. Cost Reimbursement	Budget	Reported costs	Homes x Rates	30% of total reimbursement
----- Dollars-----						
Cost-limited	Mean	129,881	155,853	130,674	139,360	282,436
	Median	70,365	92,820	71,172	74,842	128,657
Rates-limited	Mean	110,141	165,043	120,773	110,288	216,706
	Median	61,328	90,192	72,080	61,328	100,440
Reimbursement is less than limit by:						
Costs-limited	Mean		-25,972	-793	-9,479	-152,555
	Median		-22,455	-807	-4,477	-58,292
Rates-limited	Mean		-54,903	-10,632	-148	-106,566
	Median		-28,864	-10,752	0	-39,112

We used discriminant analysis in an attempt to find a linear combination of those sponsor characteristics that best separate the cost-limited from the rate-limited sponsors. The procedure chooses a function that separates the groups as much as possible. However, in this case, the function based on the size and type characteristics explained too little of the difference between the two groups of sponsors to be of meaningful value. Perhaps efficiencies in staff assignments, computerization of record keeping, business acumen of directors, lower wage areas of operation,

or other business operational differences that were not measured in this exploratory study separate the cost-limited from the rate-limited sponsors.

**Initial FY2001 Budget Categories.** We asked for a copy of the summary and explanation pages of the initial FY2001 State-approved budget for each sponsoring organization. That information allowed us to look at the budget categories reported by sponsors and the share of expenses they expected to incur by budget category. The major budget and expense categories recorded in most sponsors' 2001-initial-approved-budgets included:

- Total Personnel including wages, salaries, and benefits.
- Facilities expenses, including cleaning and maintenance.
- Rent and Utilities.
- Total Office, including supplies, postage, telephone, and other communication.
- Printing costs.
- Transportation costs.
- Total Equipment, including capital outlays, equipment rental, and equipment maintenance.
- Other Expenses.

Those categories were mandated as the minimum required detail in sponsor budgets by FNS-issued Guidance. We found minimal consistency in any categories recorded below this level. Personnel costs account for three-quarters of the budget, based on all responses nationally. The next largest category is office expenses at 6 percent of the budget. The descending order of budget allocation by major category is:

• Personnel	76.5%
• Office Expenses	6.1%
• Other Expenses	5.0%
• Transportation	4.6%
• Rent and Utilities	3.8%
• Printing Expenses	2.3%
• Equipment Expenses	1.5%
• Facilities Expense	0.2%

States provided a specific form, hard copy or electronic, or guidelines for budget submission to sponsoring organizations. Although States requested most of the categories suggested in the FNS Guidance document, they did not appear to enforce reporting in all categories by all sponsors or some sponsors were not expecting to incur costs in each category. Office rent, utilities, benefits, and equipment expenses were the least reported categories. Perhaps non-reporting of costs in some of these categories is caused by some sponsors using other sources of funding or in-kind services not budgeted or charged to CACFP administrative costs.

**State Practices.** We also asked States about their practices related to sponsors budgets and cost reporting. In answer to our question about whether they tried to limit budgeted amounts, a quarter of the States, 24 percent, reported that they did not set a cap on budgeting of all allowable costs (Table 8). About half of the States set a cap at the estimated homes-times-rates limit. And, the remaining quarter of the States were nearly evenly split between using a cap of no more than an estimated 30 percent of total food reimbursements and administrative costs or a cap set some other way. Examples of the other caps are:

- Sponsor is permitted to submit a budget that will allow for reasonable growth (approximately 10 new homes).
- Total budget amount is capped by a reasonable projection of homes-times-rates or 3/7 of food payments depending on sponsor’s reimbursement history in prior years.
- Salary and salary-related expenditures are restricted to 75% of the earned administrative funds (homes times rates).

**Table 8  
State Practices for Setting Budget Caps**

	<b>Number</b>	<b>Percent</b>
<b>Sets Cap at 30% of Food + Admin</b>	6	14.6
<b>Sets Cap at Homes-times-rates</b>	22	53.7
<b>Sets Cap Another Way</b>	5	12.2
<b>Does Not Set Cap</b>	10	24.4

We also asked if States had knowledge of sponsors submitting budgets or reporting allowable costs that were less than what they spent. About half of the 41 responding States are aware of underreporting on budgets and monthly costs (Table 9). In general, reasons provided centered on the fact that sponsors made their budgets or reported costs close to their expected reimbursements, even if their incurred costs were higher. And, some are able to charge allowable costs to other funding sources which they then cannot claim for CACFP reimbursement.

**Table 9  
Knowledge of Low Reported Budgets or Costs by Sponsors**

<b>Category</b>	<b>States that knew of such sponsors</b>		<b>Respondents</b>
	<b>Number</b>	<b>Percent</b>	<b>Number</b>
Budgeting less than allowable costs	21	51.2	41
Claiming lower monthly reimbursements than allowable costs	23	56.1	41

Some examples provided by States for the underreporting of expenses in their **budgets** include:

- Costs expected to be above available reimbursement are budgeted under other grants or sources of income.
- CACFP reimbursement does not cover all CACFP related costs, i.e., portion of time for check writing, administrative time, etc.
- They do not claim costs which are above the homes-times-rates amount.

- Military installations only include costs like printing. Salaries are omitted because they are paid from another source. Most of the administrative expenditures for the military sponsors are paid from non-appropriated funds.
- The sponsors realize they are not going to receive reimbursement for the costs.

Examples given by States as reasons for sponsors underreporting their allowable **costs** include:

- The majority of our sponsors claim homes-times-rates because they feel that is all they are allowed to claim. This matter has been discussed with sponsors at training, and they are now to report actual costs.
- They are not reporting costs which are above the homes-times-rates limit.
- Some sponsors occasionally error by not reporting all incurred allowable expenses.
- The sponsors realize they are not going to receive reimbursement for the costs.
- There are more costs than reimbursement available. Their budgets have a ceiling in relation to the number of providers they have. Costs exceed this ceiling.

## Sponsor Pretest Results

RNI and ORC Macro conducted five case studies of sponsoring organizations to assess the feasibility of obtaining cost information by program function directly from sponsors should a more definitive study of sponsors administrative costs be conducted. The interviews followed an activity-based costing (ABC) approach. In ABC, resources are assigned to activities, then activities are assigned to cost objects based on their use. The total cost of a product or service is the sum of the costs of the activities required to deliver that product or service. Any resource that is consumed in the performance of an activity, such as salaries, rent, insurance, and supplies, is included in the total cost for that activity.

The study plan had originally called for testing of on-site, mail, and telephone-mail data collection processes. However, the expert panel and other CACFP organizations counseled that the only viable option for collecting such detailed information from sponsors would be on-site. The plan was then modified to obtain information from five sample sponsors through on-site interviews. Selected characteristics of the case study sponsors are shown in table 10.

**Table 10**  
**Characteristics of Case Study Sponsors**

Sponsor Number	Public or Private	Sole or Multipurpose	Size Class of Homes Sponsored	Area of Operations
1	Public	Multipurpose	Large, 1,000+	One city
2	Private	Multipurpose	Large, 1,000+	Urban, suburban, and rural areas
3	Private	Sole purpose	Large, 1,000+	Urban, suburban, and rural areas
4	Public-military	Multipurpose	Small, <50	Base
5	Public	Multipurpose	Medium, 201-999	One city

The accounting systems used by the sponsors identified major cost categories, but did not record expenditures by function. Consequently, none of the sites were able to refer to records to complete the data collection instruments requiring allocation of costs into the six functional areas identified by the expert panel. The information provided by the test sponsors was then their best estimates of the percentages of labor and other costs by program function. This small group of five sponsors does not provide a statistically-reliable representation of all CACFP sponsoring organizations' bookkeeping practices. However, with CACFP not requiring budgeting or reporting of administrative costs by program function, it is highly unlikely that any sponsoring organizations are recording costs by function.

The interviewed sponsors unanimously felt that an effort to collect data on costs by program function should be done at the stage when costs were incurred so that each could be allocated appropriately. They also stated that this would take substantial effort because their accounting

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This study was conducted by Resource Network International and ORC Macro under a research contract with the Economic Research Service. The views expressed are those of the authors and not necessarily those of ERS or USDA.

systems would not support such an exercise. If they were to record costs by function, they would need to do it outside their normal accounting systems.

The ways that the five sponsors allocated their resources were substantially different. We observed several functional modes that have strong bearing on how expenditures are allocated, and noted the following variations in ways key CACFP functions were performed:

*Recruitment.* The small military sponsor did not recruit. The medium public sponsor used a single central recruiter. The large public sponsor did not recruit because a hiring freeze prevents them from adding the staff needed to administer more childcare homes. One large private sponsor used central office staff whose salaries are not charged to CACFP, and the other large private sponsor used a combination of local home monitors and central office staff to recruit homes.

*Training.* Two public sponsors operating in cities provide one large-scale, annual training session for participating home childcare providers, augmented with training provided by home monitors who are also central office staff. One large multi-county sponsor only provides training through the home monitoring visits. One small sponsor conducts group training sessions and training during monitoring visits. The sponsor that allocates the most resources to training is a private sponsor that uses automated menu processing. That sponsor provides training for groups of 25 providers in geographic clusters three or four times per year.

*Monitoring.* The greatest distinction in monitoring is who does the monitoring. Public agencies use full-time agency employees to do monitoring visits. Both are located in cities where travel distances are short. Private sponsors that cover multiple counties use off-site home monitoring staff. Both private sponsors cover large geographic areas. The director of the small military sponsoring organization does all of the monitoring.

*Reimbursement.* The small military sponsor is solely operated by the agency director who performs all functions, including reviewing and filing claims. In the public agencies located in cities, central office staff who monitor homes also review claims and then follow up with providers about issues of concern. One of these agencies also uses central office support staff to screen for potential issues. One large private agency has a large clerical operation where on-site staff review claims, and the other uses an automated system to scan in claims and assess their accuracy. In both private agencies, field monitors contact childcare providers about reimbursement issues.

*Tier Determinations.* The small military sponsor made no tier determinations, making the decision to put all participating homes in the Tier II classification. One large public sponsor recruited only Tier I homes caring for children of welfare mothers; the other large public sponsor had only Tier I providers, based on free and reduced price participation in the local schools. The only time that tiering was necessary was if a provider outside the school boundaries contacted the sponsor and requested to participate. The private sponsors used combinations of field monitors and central office staff to determine the appropriate tier. They used low-income census tract and school district free/reduced price participation data to determine whether a provider was

Tier I. Tier I status of children in Tier II homes was determined by a combination of field monitors and central office staff.

*Under-Budgeting and Under-Reporting of Costs.* The case study visits were consistent with State reports. All of the sponsors visited had some costs that would be allowable as CACFP administrative costs but instead were covered by in-kind contributions. Those costs are not budgeted or reported because of the outside funding, but they are of benefit to the program and lower the administrative costs reimbursed by the CACFP.

*Budget Relationship to Necessary Sponsor Functions.* Reflecting the various ways they administered their CACFP homes, case study sponsors' estimated allocations of the percent of staff resources to the necessary CACFP functions varied significantly (Table 11). The large public sponsor, with no ability to recruit and all Tier I homes, concentrates staff resources on monitoring and reimbursement claims. The military sponsor's resources are concentrated in those two areas, but more on claims than monitoring. The two large private and one medium public sponsors use about 15 percent of staff resources on recruiting. They differ in other areas, as the computerized-claim sponsor uses fewer resources on that activity and more on training.

**Table 11**  
**Allocation of Staff Resources to Sponsor Functions**

Type of sponsor	Recruiting	Training	Monitoring	Claims	Tiering	Other	Total
	<i>Percent</i>						
Large Public*	0	5	70	25	0	0	100
Large Private	17	20	33	14	8	8	100
Large Private	10	10	50	25	1	4	100
Small Military	0	5	14	81	0	0	100
Medium Public	13	7	33	33	7	6	100

\*Percents are based on the allocation for Nutrition Technicians, not all staff.

*Methods Needed to Measure Functional Costs.* To measure what it costs to perform the necessary sponsor administrative functions for the CACFP, a study of sponsor functions would need to be performed. The most recent study of CACFP childcare home sponsors' administrative costs was conducted by Abt Associates for the Food and Nutrition Service<sup>4</sup>. Through a combination of telephone and on-site interviews with 53 sample sponsors, Abt collected information on their characteristics, services provided, and costs incurred. The on-site visits focused on obtaining accurate income and expenditure data and staff time-use allocations across functional areas. The labor cost of each function (for example, planning and management, record keeping, reimbursement procedures, nutrition training, and general administration) was the sum of each staff member's hours spent on the function multiplied by her/his hourly wage rate. The line item costs in the sponsor's annual Statement of Income and Expenses were then allocated across the functional categories in proportion to the distribution of labor costs among the functions. That study provided the basis for the categories of number of homes and differences in

<sup>4</sup> Glantz, Frederic B., Mary Kay O'Neill Fox, and others, *Evaluation of the Child Care Food Program: Final Report on the Congressionally Mandated Studies*, Volume 1, Aug. 2, 1982 and *Technical Appendix*, Part I, March 14, 1983. Contract No. 53-3198-40.

reimbursement among those categories in the homes-times-rates limit. The rates have been annually updated since then to keep up with inflation.

In a 1988 Food Stamp Program study Abt Associates did for the Food and Nutrition Service on factors affecting certification costs, they also conducted a time-use study to measure the time eligibility workers spent on certification tasks.<sup>5</sup> More recently, the General Accounting Office (GAO) conducted time use studies in a sample of WIC (Special Supplemental Nutrition Program for Women, Infants, and Children) agencies to determine the amount of time staff spent performing various program activities.<sup>6</sup>

Our pretest sponsors had no experience with functional accounting. And, other program studies have found it necessary to use time-use studies to assess program functions. Therefore, we conclude that an on-site study of a statistically reliable, representative sample of CACFP childcare home sponsors would be necessary to determine what amount of time and what allowable expenses are involved in performing required CACFP administrative functions.

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<sup>5</sup> Abt Associates Inc, *Factors Affecting Food Stamp Certification Cost, Volume II*, USDA, FNS, OAE, date?

<sup>6</sup> United States General Accounting Office, *Activities and Use of Nonprogram Resources at Six WIC Agencies*, GAO/RCED-00-202, September 2000.

## Wage and Office Space Benchmarks

Past investigations of CACFP suggested that wages and space could account for much of the administrative budgets of family childcare home sponsoring organizations. If so, benchmarks for those categories might provide guidance on how to avoid inappropriately high administrative costs being charged. The expert panel and the sponsor budgets obtained from State CACFP offices indicated that wages and benefits are the major source of administrative costs for CACFP sponsors. Personnel costs account for an average of 70 percent of administrative budgets. Facilities (office space rental) are only sometimes the second-largest expense; more frequently they are the same as or less than the other budget categories. However, office space seems to be the category of spending most often replaced with in-kind services not charged to sponsors' CACFP administrative costs. If this in-kind substitution were not possible, office space leasing might be a larger share of the average budget and claimed costs for some sponsors.

**Wage Data from Public Sources.** There are two key issues in establishing benchmarks for wages for CACFP sponsors. First, we must define the occupational categories that are necessary for sponsoring organizations to administer CACFP childcare homes properly. If a staff member performs all types of job functions, which occupation should be benchmarked? The typical answer is, the function that is performed most of the time. However, even if claims reimbursement takes up the largest amount of a worker's time, the fact that the worker needs to have other skills (such as nutrition education or management) may well dictate a higher salary than the claims reimbursement function would allow. In cases where a staff member performs many job functions, a rough rule may be that the highest paid one of the functions sets the wage rate.

The second key issue is that, for each established occupational category, we must determine an average or a range of acceptable wages. Wages are likely to vary from region to region. Within a State, wages also are likely to vary by urban and rural area. Wages vary geographically for a variety of reasons, including cost of living differences and supply and demand differences for various types of jobs—reflecting how competitive the local labor market is for a given position.

The expert panel identified functions including program administration, recruitment of homes, training providers on child nutrition and program rules, monitoring, tier determinations, and claims reimbursement. ORC Macro reviewed the literature (including Internet bibliographies and the U.S. Department of Labor (DOL)/Bureau of Statistics (BLS) Web site) to find appropriate data sources for matching occupation descriptions to CACFP sponsor functions. Our goal was to identify relevant surveys and to determine whether they captured the labor categories of interest, how often they were updated, and their level of geographic specificity. For surveys of interest, we obtained technical information on acquiring and using the files and their costs.

The Federal Government conducts two major wage surveys—the National Compensation Survey (NCS) and the Occupational Employment Statistics (OES) survey. The OES survey provides

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information for the Nation, for States, and for all metropolitan areas, as well as for the District of Columbia, Puerto Rico, the Virgin Islands, and Guam. NCS provides information for the Nation, for 81 metropolitan areas and 73 nonmetropolitan counties representing the United States, and for the nine census divisions (although information for all occupations for all areas is not available). The OES survey is larger and can provide average wage estimates for a wider range of occupations and areas. NCS is conducted by personal visit and provides greater depth, including wage rates by work levels within occupations.

For the purpose of setting pay according to the level of work that is being performed, BLS recommends using NCS for data on wages. However, to find the general profile for wages in a large number of occupations in many areas, BLS recommends using the OES survey. State-level information is provided only by the OES survey.

Both surveys include full- and part-time workers who are paid a wage or salary. NCS includes only establishments with at least 50 workers, whereas OES includes establishments with as few as five workers. To obtain information about pay in larger establishments, NCS is the survey of choice. For data on pay in a wider range of workplaces, the OES survey provides better information. For CACFP purposes, the OES survey is the preferred data set, as we are interested in information by State, in small establishments as well as large, and in locales within States.

The Standard Occupational Classification (SOC) system is used by most Federal statistical agencies to classify workers into occupational categories for the purposes of collecting, calculating, and disseminating data. All workers are classified into 1 of more than 820 occupations. Occupations are combined to form 23 major groups (table 12), 96 minor groups, and 449 broad occupations. Each broad occupation includes detailed occupations requiring similar job duties, skills, education, or experience. Sponsor job functions fall into various major categories. For instance, program administration falls under Management, and claims reimbursement falls under Office and Administrative Support.

**Table 12**  
**Standard Occupational Classification (SOC) Major Groups**

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Management	Food Preparation and Serving Related
Business and Financial Operations	Building/Grounds Cleaning and Maintenance
Computer and Mathematical	Personal Care and Service
Architecture and Engineering	Sales and Related
Life, Physical, and Social Science	Office and Administrative Support
Community and Social Services	Farming, Fishing, and Forestry
Legal	Construction and Extraction
Education, Training, and Library	Installation, Maintenance, and Repair Arts
Design, Entertainment, Sports, Media	Production
Healthcare Practitioners and Technical	Transportation and Material Moving
Healthcare Support	Military Specific
Protective Service	

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In searching for more detailed SOC categories that cover the sponsor job functions, training and monitoring were combined. Most expert panel members described the functions as intertwined—training often occurs immediately when a problem is noticed during a monitoring visit. Also, no SOC category was sought for recruitment of providers because sponsors reported that recruitment efforts were sporadically pursued, mostly on a time-allowing basis. After a thorough search of the SOC categories and descriptions, the following were found (all information was taken from the BLS Web site, [http://www.bls.gov/soc/soc\\_majo.htm](http://www.bls.gov/soc/soc_majo.htm)).

***Job Function: Program Administration***

SOC 11-9151 Social and Community Service Managers (Management Occupations)

Description: Plan, organize, or coordinate the activities of a social service program or community outreach organization. Oversee the program or organization's budget and policies regarding participant involvement, program requirements, and benefits. Work may involve directing social workers, counselors, or probation officers.

***Job Function: Meal Planning and Nutrition Monitoring***

SOC 29-1031 Dietitians and Nutritionists (Healthcare Practitioners and Technical Occupations)

Description: Plan and conduct food service or nutritional programs to assist in the promotion of health and control of disease. May supervise activities of a department providing quantity food services, counsel individuals, or conduct nutritional research.

***Job Function: Childcare Provider Training and Monitoring***

SOC 21-1091 Health Educators (Community and Social Services Occupations)

This job function proved difficult to match with an SOC category. Given that training a provider requires knowledge of not only the CACFP but also general nutrition, and that most sponsors felt that monitoring and training or retraining intertwine, the category of Health Educator seemed most appropriate. Description: Promote, maintain, and improve individual and community health by assisting individuals and communities to adopt healthy behaviors. Collect and analyze data to identify community needs prior to planning, implementing, monitoring, and evaluating programs designed to encourage healthy lifestyles, policies and environments. May also serve as a resource to assist individuals, other professionals, or the community, and may administer fiscal resources for health education programs.

***Job Function: Tier Determination***

SOC 43-4061 Eligibility Interviewers, Government Programs

Description: Determine eligibility of persons applying to receive assistance from government programs and agency resources, such as welfare, unemployment benefits, social security, and public housing.

***Job Function: Claims Reimbursement Processing***

This was the most difficult function to match with a single SOC category. Many SOC categories are similar (e.g., financial clerks, information and record clerks), but it is the extensive knowledge of the program's requirements that constitutes the core element of this function that is unique. From sponsors' descriptions at the expert-panel meeting, processing meal claims takes up a significant portion of staff time, although it is the lowest paid of the job functions listed.

Processing claims for reimbursement could fall under either of the following office and administrative support occupations:

SOC 43-3021 Billing and Posting Clerks and Machine Operators (Office and Administrative Support Occupations)

Description: Compile, compute, and record billing, accounting, statistical, and other numerical data for billing purposes. Prepare billing invoices for services rendered or for delivery or shipment of goods.

SOC 43-3031 Bookkeeping, Accounting, and Auditing Clerks (Office and Administrative Support Occupations)

Description: Compute, classify, and record numerical data to keep financial records complete. Perform any combination of routine calculating, posting, and verifying duties to obtain primary financial data for use in maintaining accounting records. May also check the accuracy of figures, calculations, and postings pertaining to business transactions recorded by other workers.

Table 13 shows wage estimates for the occupational groups chosen to represent CACFP sponsor job functions. These OES wage estimates are at the national level across all industries and within the 3-digit Social Assistance (624) industry category of the new North American Industry Classification System. The more specific 4-digit industry, Individual and Family Services (624100), is also shown because that industry includes service providers such as community action service agencies that we think may be somewhat more representative of CACFP sponsors.

**Table 13**  
**OES Wage Estimates for Occupations by CACFP Sponsor Function, Nationally and in Selected Industries, November 2003**

SOC Code Number	Occupation	Employ- ment <sup>1</sup>	Median Hourly	Mean Hourly	Mean Annual <sup>2</sup>	Mean RSE <sup>3</sup>
CACFP—Program Administration						
11-9151	<b>Social and Community Service Managers</b>	116,210	\$22.21	\$24.13	\$50,180	1.10%
	Social Assistance industry	38,660	\$21.38	\$23.02	\$47,870	1.00%
	Individual/Family Services	24,870	\$21.65	\$23.30	\$48,460	1.40%
CACFP—Meal Planning and Nutrition Monitoring						
29-1031	<b>Dietitians and Nutritionists</b>	46,630	\$20.50	\$20.93	\$43,520	0.50%
	Social Assistance industry	1,430	\$16.85	\$17.51	\$36,410	2.90%
	Individual/Family Services	920	\$17.86	\$18.24	\$37,940	3.70%
CACFP—Provider Training and Monitoring						
21-1091	<b>Health Educators</b>	45,520	\$18.32	\$19.92	\$41,430	1.60%
	Social Assistance industry	7,730	\$13.68	\$14.61	\$30,390	1.90%
	Individual/Family Services	5,490	\$13.88	\$14.85	\$30,890	2.60%
CACFP—Meal Reimbursement Tier Determinations						
43-4061	<b>Eligibility Interviewers, Government Programs</b>	94,390	\$15.69	\$16.03	\$33,340	1.00%
	Social Assistance industry	2,860	\$13.71	\$13.31	\$27,680	1.80%
	Individual/Family Services	1,730	\$14.23	\$13.58	\$28,240	2.80%
CACFP—Claims Reimbursement Processing						
43-3021	<b>Billing and Posting Clerks and Machine Operators</b>	490,960	\$12.76	\$13.26	\$27,590	0.30%
	Social Assistance industry	3,690	\$11.77	\$12.22	\$25,420	1.00%
	Individual/Family Services	2,430	\$11.87	\$12.42	\$25,830	1.40%
43-4031	<b>Bookkeeping, Accounting, and Auditing Clerks</b>	1,762,390	\$13.45	\$14.06	\$29,250	0.20%
	Social Assistance industry	21,340	\$12.71	\$13.08	\$27,200	0.70%
	Individual/Family Services	10,580	\$13.00	\$13.34	\$27,750	1.00%

<sup>1</sup> Estimates do not include self-employed workers.

<sup>2</sup> Annual wages have been calculated by multiplying the hourly mean wage by a "year-round, full-time" hours figure of 2,080 hours.

<sup>3</sup> The relative standard error (RSE) is a measure of the reliability of a survey statistic. The smaller the relative standard error, the more precise the estimate.

**State- and Metro-Level Sources of Surveys on Salary and Wages From OES.** The BLS Web site also contains November 2003 State and Metropolitan Area Occupational Employment and Wage Estimates from the Occupational Employment Statistics program (State data at <http://www.bls.gov/oes/current/oessrcst.htm>; metropolitan area data at <http://www.bls.gov/oes/2002/oessrcma.htm>). Metropolitan areas are listed in alphabetical order by State. Each area name is a link to its occupational employment and wage estimates. In the case of cross-State metropolitan areas (metropolitan areas with boundaries that cross State borders), the metropolitan area name appears under each State that contains part of that metropolitan area, and the names of the relevant States appear to the right of the named metropolitan area. Table 14 provides an example of the availability of data on wages of social

and community services managers (our chosen representative of CACFP sponsors' program administrative functions. Those managers' wages are available at the State level and for eight of Alabama's metro areas. Those managers' wages are not listed on the metropolitan area pages for Alabama's Auburn-Opelika, Decatur, Florence, and Gadsden metropolitan areas because those areas do not have enough such managers in their OES survey to report employment and wage statistics. For CACFP sponsors operating in those areas, wages of another selected management occupation reported for those metro areas that is deemed to be an appropriate proxy for CACFP management could be used as a benchmark. Or, the State or nearest reporting metro area's wages for this occupation might be an appropriate proxy.

**Table 14**  
**Employment and Wages of Social and Community Service Managers in Alabama and Its Reported Metropolitan Areas, November 2003**

State/metro area	Employment <sup>1</sup>	Median Hourly	Mean Hourly	Mean Annual <sup>2</sup>	Mean RSE <sup>3</sup>
Alabama	1,020	\$19.07	\$21.56	\$44,840	2.90%
Anniston	NR	\$18.54	\$20.14	\$41,880	8.40%
Birmingham	250	\$22.88	\$24.88	\$51,740	5.90%
Columbus, GA-AL	50	\$23.25	\$24.26	\$50,450	3.10%
Dothan	30	\$22.87	\$26.25	\$54,610	11.30%
Huntsville	90	\$19.07	\$21.40	\$44,510	7.00%
Mobile	110	\$16.33	\$17.85	\$37,120	5.10%
Montgomery	150	\$21.06	\$24.51	\$50,970	9.70%
Tuscaloosa	90	\$16.64	\$17.08	\$35,530	4.10%

NR = Not reported.

Note: This occupation not reported for Alabama's metro areas of Auburn-Opelika, Decatur, Florence, and Gadsden.

<sup>1</sup> Estimates do not include self-employed workers.

<sup>2</sup> Annual wages have been calculated by multiplying the hourly mean wage by a "year-round, full-time" hours figure of 2,080 hours.

<sup>3</sup> The relative standard error (RSE) is a measure of the reliability of a survey statistic. The smaller the relative standard error, the more precise the estimate.

If the information available on the OES Web site is deemed insufficient, then searching State sites may be fruitful. However, our search of a few State website sites suggests that States also post OES data, sometimes not as current data as that posted by BLS. If a search for State wage reports is done, a useful starting place is the Web site for State and local government <http://www.statelocalgov.net/index.cfm>, which lists the government Web site for each State. At each State Web site, data on wages can usually be found under the executive branch on either a labor department page or an economic conditions and labor rates page.

***Wage and Benefits Data on Nonprofits from Private Source.*** Although the Federal and State sources of wage and salary surveys should be sufficient for benchmarking, private surveys are also available. One major wage survey is discussed because it is the only private survey that focuses on the nonprofit industry.

One of the best-known private firms supplying benchmark compensation and benefit information for nonprofit occupations is Abbot, Langer and Associates (Abbott-Langer). The firm publishes

two major surveys of interest: *Compensation in Nonprofit Organizations*, October 2004 (results from 2,305 participating organizations) and *Fringe Benefits and Working Conditions in Nonprofit Organizations*, June 2004 (results from 1,172 participating organizations).

*Compensation in Nonprofit Organizations* reports "the highest paid job characteristics for 130 benchmarked jobs, the national median total cash compensation for 48 benchmark jobs, and the factors affecting salary (Level of Supervisory/Managerial Responsibility, Type of Organization, Number of Employees, Annual Budget, Scope of Organization, and Geographic Area)." Free summary data on the Abbott-Langer website reports nonprofit organizations' Nutritionists wages as averaging \$35,546. That average wage is quite close to the OES estimate of annual wages of Dietitians and Nutritionists working in Social Service industries in November 2003 (\$36,410).

*Fringe Benefits and Working Conditions in Nonprofit Organizations* contains an analysis of the prevailing practices regarding: working hours, retirement programs, overtime pay, 14 different insurance programs, vacations, tax-advantaged programs, holidays, employee service/assistance programs, special leave, work-related expense reimbursement, sick leave, and tuition assistance. Data are reported by: type of organization, region, number of employees, annual budget of organization, and geographic scope of organization. Information on purchasing these reports is posted on the Abbott-Langer website at <http://www.abbott-langer.com/alasno.html>.

***Caveats Regarding Wage Benchmarks.*** For most sponsor functions, the averages for metropolitan areas, States, and the Nation from the OES survey should suffice as reasonable benchmarks. However, the level of supervisory work or executive management skill required of a program director depends on the size of the organization. The OES data do not distinguish between small and large organizations. Using the OES average wage as a benchmark for managerial jobs would probably require an inflation factor for size of sponsor.

Expert panel members noted that, in multipurpose organizations, staff salaries are frequently fixed by the umbrella agency, which may have an internal benchmarking system based on norms, types of staff, and board approval. The CACFP benchmarks could cause problems for multipurpose organizations if they were used to set different wage rates for CACFP workers than for other workers doing similar functions for other programs. If staff members work across several programs, benchmarking could result in employees being paid different wage rates for working on CACFP tasks than for similar tasks they do for other programs.

***Office Space Requirements and Costs.*** Although office space does not constitute a large share of most CACFP sponsoring organizations' reported administrative expenses, State offices may still benefit from access to information on office space rental rates when they assess the reasonableness of sponsors' budget requests. Determining a reasonable office space cost benchmark first requires an idea of what kinds and amounts of space are needed to fulfill CACFP sponsor functions.

Types of space that the expert panel discussed as needed to administer CACFP were:

- Office space per person—the square footage standard workspace required for a person to perform administrative functions (e.g., claims reimbursement, other deskwork) for CACFP.

- Storage space—square footage standard required to store several years of CACFP files.
- Meeting or training space—the square footage standard required to meet with and train staff or childcare home providers about CACFP.

**Space Standards.** We turned to office standards set by the General Services Administration (GSA) for the Federal Government. In GSA's 2002 space use update, they recommended 230 rentable square feet and 200 usable square feet per person as the appropriate overall Governmentwide averages for office space. Rentable space is the gross square footage minus vertical penetrations (e.g., stairwells and elevator and pipe shafts). Usable space is the sum of retail areas, office space used by tenants, and common areas. Lobbies, telephone rooms, electrical rooms, mechanical rooms, toilets, and custodial/utility rooms are excluded from usable space. GSA also recommends that more aggressive alternative workspace strategies, such as telecommuting and group work areas, can reduce an agency's space needs below these averages. GSA notes that the average usable space per person in the private sector was 239 square feet, with a minimum of 152 usable square feet per person in a case study of a telecommunications company. This range of usable square feet could be used to assess the appropriateness of the office space CACFP sponsors lease.

**Class of Office Space.** The real estate industry uses categories A, B, and C to separate the quality of commercial office space. Class A space is in buildings built since 1985 that have state-of-the-art systems and excellent accessibility. This type of space commands the highest rents. Class B space is in buildings built between 1961 and 1984 that appeal to a wide range of users and have average tenant cost. Class C space, which is in buildings built before 1961, is primarily intended for tenants requiring only functional space. Major restoration of an older building often moves it into a higher category.

It is likely that CACFP needs can be met with Class B office space, although some sponsors may be located in Class A facilities. This may occur because a sponsor may be part of a larger organization located in such a facility or because Class B space is not available in the sponsor's location, such as a thriving downtown. Setting a limit on the class of office space for which costs can be charged would require comparisons with class benchmarks and understanding of the options a sponsor has in choosing office space.

**Office Rental Rates.** Most large sponsors, including multipurpose agencies, rent office space. Sources of data on rents that could be used for benchmarking office space costs are widely available—but for a fee. The two major sources of rent data are the Building Owners and Managers Association (BOMA) survey and the Society of Industrial and Office Realtors (SIOR) survey. BOMA survey participants are oriented to mostly downtown and Class A and Class B office space. SIOR survey participants include realtors of industrial (such as warehouses, manufacturing, and high-technology R&D locations) space and office space. Business journals are another source of timely information about costs of office space and local real estate in general. Nearly every metropolitan area has one, and although the information may not be scientifically generated, they are usually up to date and reflect community opinion about the real estate market. Although they are not free, they are usually widely available from local vendors and at libraries. Because the content of local business journals varies widely, we concentrate here on the BOMA and SIOR uniformly collected survey data sets.

**BOMA.** The Federal Government does not conduct surveys on costs of office space, instead it uses the BOMA reports. The annual *Experience Exchange Report* (EER) on market conditions from BOMA is GSA's primary benchmark. Although much of the data collected by BOMA are from its membership and thus do not constitute a scientific sample of all commercial buildings, the tool is respected enough to be used by GSA. BOMA characterizes office space primarily as Class A and Class B in metropolitan, downtown, and suburban locations. Class C buildings are usually underrepresented, owing to the small number of properties in that group.

The 2004 edition of the EER (based on 2003 data) reports operating income and expense data on over 5,000 public and private sector commercial properties throughout North America. The book contains over 500 pages of benchmark data including:

- Line-item expenses for cleaning, repairs/maintenance, utilities, administration, leasing and more;
- Breakdowns on city, private/government, downtown/suburban and building size;
- Sub-market (zip code) breakouts;
- Occupancy data in four ranges to help users identify how occupancy levels affect individual line-item expenses.

Table 15 shows the average 2003 Class A and Class B income and expenses (from the building manager's perspective, rents from the renters' perspective) in the private office building sector, overall, downtown, and in suburban areas from the 2004 EER. Assuming 150 square feet per employee, a suburban sponsor facing national average rents would spend \$2,811 per worker for Class B office space per year.

**Table 15**  
**2003 Office Space Income and Expenses by Class, U.S. Private Sector**

	Overall	Downtown	Suburban
<i>Average income and expenses per square foot</i>			
Office space class			
Class A	\$22.83	\$24.78	\$21.72
Class B	\$19.02	\$19.64	\$18.74

Source: BOMA International, *2004 Experience Exchange Report*.

Printed editions of the EER can be purchased by non-BOMA-members. If one wants to inexpensively investigate the usefulness of EER for a local area, the 2002 edition sells for \$30 plus shipping and handling. The 2003 edition sells for \$290, and the new 2004 edition sells for \$350. Information on these and the more expensive versions on CD-ROM can be found on the BOMA website at <http://www.boma.org/ProductsAndResearch/>.

**SIOR.** The other major source of information on rental rates for commercial office space is SIOR. SIOR publishes the annual report *Comparative Statistics of Industrial and Office Real Estate Markets*, which is mostly a product of self-reported information from the membership of SIOR. The 2004 edition presents a wide range of market activity measures including office rents for more than 140 markets throughout the USA, Canada, and Mexico, and selected markets

outside of North America. Comparative statistics give a review of the past year and a forecast of economic trends and their projected effects on commercial real estate. Nonmembers can purchase the printed report for \$135. The order form is downloadable from <http://www.sior.com/publications/publications.html>.

Member realtors who have some marketing knowledge and training compile information on individual markets. Table 16 gives an example of office space statistics reported for Stamford/Norwalk, Connecticut in 2003.

**Table 16**  
**Example of 2003 SIOR Data, Stamford/Norwalk, Connecticut Office Survey**

<b>Inventory (sf)</b>	<b>Class A</b>		<b>Class B</b>	
	<b>CBD</b>	<b>Outside CBD</b>	<b>CBD</b>	<b>Outside CBD</b>
Total	9,120,303	12,850,689	3,604,099	4,392,419
Vacant	1,120,981	997,446	318,787	486,561
Vacant Sublease	777,160	847,021	63,628	160,393
Under Construction	0	0	0	0
Substantial Rehab	0	0	0	0
Net Absorption	-391,501	309,872	173,141	272,688
Vacancy Rate	12.29%	7.76%	8.85%	11.08%
<b>Rental Rates (\$/sf)</b>				
Lowest	\$23.00	\$15.00	\$14.00	\$13.00
Highest	\$75.00	\$45.00	\$48.00	\$32.00
Weighted Average	\$36.37	\$28.89	\$26.30	\$23.27
<b>Sales Prices (\$/sf)</b>				
Lowest	\$367.72	\$171.76	\$107.06	\$161.31
Highest	\$455.58	\$184.09	\$180.00	\$153.55
Weighted Average	-	-	-	-
<b>Operating Expenses (\$/sf)</b>				
Lowest	\$7.50	\$6.50	\$6.50	\$6.00
Highest	\$12.00	\$9.00	\$7.00	\$6.50
Weighted Average	\$9.00	\$7.00	\$6.75	\$6.25
<b>Tax Expenses (\$/sf)</b>				
Lowest	\$1.10	\$1.10	\$0.95	\$0.95
Highest	\$3.00	\$3.00	\$2.00	\$2.00
Weighted Average	\$2.50	\$2.50	\$1.50	\$1.50

Note: CBD stands for central business district.

## Alternative Administrative Cost Reimbursement System Results

To investigate whether alternative administrative cost reimbursement systems might be appropriate for CACFP childcare home sponsors, we looked at the experience of other Federal programs.<sup>7</sup> We reviewed the different administrative cost reimbursement arrangements for programs that deliver cash, services, and goods and selected several programs that are in some ways similar to the CACFP to determine how they compensate for program administrators' administrative costs. All programs rely on some combination of fixed percentage fees or reimbursement for documented costs.<sup>8</sup>

After comparing the characteristics of many Federal aid programs, we found that the family childcare home portion of the CACFP has several unique features. First, the direct providers of the service consist of homes that are quite small (typically serving 3 to 12 children) and administered by a wide range of nonprofit organizations, including many small sole-purpose businesses. In most other programs, the direct providers are either part of State or local government or fairly large private nonprofits. In cases where the providers are relatively small (e.g., corner grocery stores accepting food stamps or individual doctors treating a covered worker), the providers usually serve nonrecipients of aid as well.

Second, CACFP sponsors are administrative bodies with limited direct connection (e.g., mailing informational materials, establishing Tier I eligibility of children cared for in Tier II homes) with recipients (parents and children). The comparable administrative organizations in other aid programs are almost always Federal or State agencies.

Third, CACFP sponsors' administrative costs are reimbursed at the lowest of four alternative amounts. As far as we found, no other Federal program uses a lowest of four alternatives reimbursement system. Another FNS program, the Summer Food Program, comes closest, using a reimbursement approach based on the lowest of three alternatives.

Fourth, the CACFP administrative cost reimbursement system provides conflicting incentives for the sponsors. On the one hand, sponsors are encouraged to recruit new homes and the homes-times-rates sum increases with the growth of homes under their administration. But on the other

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<sup>7</sup> The Catalog of Federal Domestic Assistance lists 1,541 programs that provide citizens with cash, services, loan guarantees, or goods at reduced or no price. The Congressional Research Service in *Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY 1998-FY2000 (OC RL31228)* summarizes these programs under 84 categories.

<sup>8</sup> The Office of Management and Budget (OMB) has published a series of circulars that set out appropriate guidelines for allowable expenses of various types of organizations that receive Federal funding. OMB Circulars A-87, A-110, A-122, and A-133 cover allowable expenses, administration of grants and agreements, consistent rules for nonprofit organizations, and audit requirements. All Federal agencies function under these guidelines, bringing a level of consistency and uniformity to their administration of programs through State, local, tribal, and private (including nonprofit) intermediaries. All OMB circulars are published on the OMB website at <http://www.whitehouse.gov/omb/circulars/index.html>.

hand, they are required to monitor the performance of homes and decertify those that fail to meet program standards. If they do this, the homes-times-rates sum decreases. This conflict of incentives is the reason why most other aid programs rely on State government agencies to oversee direct producers and disqualify nonperformers.<sup>9</sup>

In choosing programs to compare with CACFP, we looked for other food programs, structures that are somewhat similar to CACFP, a range of practices of reimbursement for administrative expenses, and a range of supervising Federal agencies.<sup>10</sup> The six programs we found with structures that include intermediary units with administrative functions somewhat similar to those of CACFP sponsors are:

- Summer Food Service Program,
- Supplemental Food Program for Women, Infants and Children (WIC),
- The Emergency Food Assistance Program,
- Community Services Development Block Grants,
- Head Start, and
- Weatherization Assistance Program.

Discussion of each program is organized by four topics:

1. Description: Purpose, Federal agency administering the program, most current available funding amounts, and number of clients served.
2. Structure: Hierarchy of service delivery.
3. Administrative Reimbursement Procedures: How funds are allocated to States and service providers (e.g., budgets, flat fee, or documented outlays for goods, service, and administrative overhead), whether administration cost is treated separately, and how administrative costs are limited.
4. Auditing or Review: Methods to assess cost requests and measure program effectiveness and controls to prevent fraud and abuse.

### ***Summer Food Service Program<sup>11</sup>***

*Description.* The Summer Food Service Program, administered by FNS, assists States in supporting nonprofit food service programs for low-income children during the summer months and at other approved times when schools are out of session or closed for vacation. FNS spent approximately \$253 million in FY2004 in providing 115 million meals. Up to two meals a day per child can be reimbursed as long as each meal meets the required meal pattern or nutrients content.

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<sup>9</sup> However, the CACFP is not the only Federal aid program to face this conflict. Many postsecondary schools prepare the applications of their students for student loan programs. They are supposed to verify eligibility and monitor the student's performance even though they could lose tuition and fees revenue by decertifying students.

<sup>10</sup> Information on these programs was obtained from four sources: the Catalog of Federal Domestic Assistance, the Congressional Research Service's report, *Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY 1998-FY2000* (OC RL31228), the websites of the programs, and relevant sections of the Code of Federal Regulations.

<sup>11</sup> Information sources: CFDA 10.559, <http://www.fns.usda.gov/cnd/Summer/>, 7 CFR 225.

*Structure.* Grants are awarded by States to eligible service institutions (sponsors) that provide free meals to children in areas where at least 50 percent of the children meet the income eligibility criteria for free and reduced price lunches. Such institutions include public or private nonprofit school food authorities, residential summer camps, and colleges or universities operating the National Youth Sports Program during the months of May to September. Units of local, municipal, county, or State governments may also be sponsors. Other private nonprofit organizations are eligible to participate under certain conditions. The grant amounts and administrative funds paid to States are determined by the number of approved meals served. Sponsors cover specific geographic areas and do not overlap.

*Administrative Reimbursement Procedures.* Administrative costs incurred by a sponsor in planning, organizing, and managing food service are reimbursed by a procedure similar to the one used in the CACFP. The reimbursement is the lowest amount of budgeted costs, actual costs, or a meals-times-rates sum derived by multiplying meals served by administrative reimbursement rates. Administrative rates for breakfast, lunch/supper, and supplements (snacks) are determined annually by FNS (see <http://www.fns.usda.gov/cnd/summer/>). FNS National Data Bank statistics show that sponsor administrative costs were slightly less than 7 percent of total food and sponsor administrative costs in FY2004.

*Auditing or Review.* Service institutions must file monthly reports documenting the number of meals they have served. The appropriate State agency must review the operations of service institutions at prescribed intervals based on whether they are new sponsors or have recently had significant operation problems. States must review sponsors whose reimbursements, in aggregate, equal at least half the total meal reimbursements in the State, and may use statistical sampling techniques to select them.

### ***Supplemental Food Program for Women, Infants and Children (WIC)<sup>12</sup>***

*Description.* WIC provides low-income pregnant, breastfeeding and postpartum women, infants, and children up to age 5 who are determined to be at nutritional risk, with free supplemental nutritious foods, nutrition education, and referrals to health care providers. Administered by FNS, WIC expended more than \$5 billion a year in FY2005 serving over 8 million women and children a month. Funding is determined by formulas determined by USDA, and State matching is not required.

*Structure.* Grants are made to State health departments or comparable agencies, which in turn fund local agencies with formal agreements to operate WIC programs. Local agencies must be public or private nonprofit health or human service organizations serving low-income women, infants, and children at nutritional risk. Individual participants apply to local agencies that must document their income eligibility and nutritional risk. State WIC agencies must select local agencies based on priorities set forth in the regulations. The priority order is based on the health care services offered by the agency. Public or private nonprofit organizations that provide pediatric care are the first priority agencies. State WIC agencies are required to advertise and to

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<sup>12</sup> Information sources: CFDA 10.557, website <http://fns.usda.gov>, 7 CFR 246.

directly notify local agencies that they are seeking applicants. States sign formal written agreements with local agencies that stipulate performance requirements and funding.

*Administrative Reimbursement Procedures.* Indirect costs of local agencies are not based on the cost of food services they provide but can be charged if they can be documented as the cost of administering the program, transporting and storing foods, and performing outreach. According to the FNS National Data Bank, WIC spent \$3.6 billion on food costs and \$1.3 billion on administrative expenses, nutritional education, risk assessment, and breastfeeding support services in FY2004. Along with providing food, the WIC program services include assessing each participant's nutritional status, providing nutrition and breastfeeding education, and making health care and social service referrals. Administration costs are 26 percent of total program costs. States are not required to fund local agencies on a formula basis for nutrition services or administration; they have the authority to determine appropriate amounts of funding given the circumstances of each local agency.

*Auditing or Review.* FNS and each State agency are required to establish a management evaluation system to assess the accomplishments of the program. Any deficiencies identified must be corrected through a State corrective action plan. The State agency must conduct monitoring reviews of each local agency at least once every 2 years with on-site reviews of at least 20 percent of them. States may debar local agencies due to inadequate performance.

### ***The Emergency Food Assistance Program (TEFAP)<sup>13</sup>***

*Description.* Administered by FNS, the program provides emergency food to low-income, needy people at no cost. The amount of funding for TEFAP is based on congressional appropriation. Congress appropriated \$190 million for TEFAP for FY2004--\$140 million to purchase food, and another \$50 million for administrative support for state and local agencies. This is the same level of funding as was provided in FY2003. In addition to the \$190 million that was appropriated for TEFAP in FY2003, about \$240 million worth of surplus commodities were delivered to States for distribution through TEFAP. Cash assistance is allocated among the States on the basis of their poor and unemployed populations relative to national statistics. Poor households account for 60 percent and unemployed persons account for 40 percent of each State's score.

*Structure.* Commodity foods from Federal sources are made available to State agencies. Those agencies make agreements with food banks and other local nonprofit service institutions to distribute the foods either directly to the needy or to soup kitchens and food pantries that distribute the foods.

*Administrative Reimbursement Procedures.* At a minimum, States must make 40 percent of the administrative grant available to local agencies or expend such funds on their behalf. States must match administrative grants that they do not pass along to local agencies with in-cash or in-kind services. The regulations do not prescribe how States allocate administrative funds to local agencies, but do specify the types of expenses that qualify as administrative costs.

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<sup>13</sup> Information sources: CFDA 10.568, website: <http://fns.usda.gov/fncs>, 7 CFR 251.

Direct expenses include the following, regardless of whether they are charged to TEFAP as direct or indirect costs:

- (i) The intrastate and interstate transport, storing, handling, repackaging, processing, and distribution of commodities; except that for interstate expenditures to be allowable, the commodities must have been specifically earmarked for the particular State or eligible recipient agency which incurs the cost;
- (ii) Costs associated with determinations of eligibility, verification, and documentation;
- (iii) Costs of providing information to persons receiving USDA commodities concerning the appropriate storage and preparation of such commodities;
- (iv) Costs involved in publishing announcements of times and locations of distribution; and
- (v) Costs of recordkeeping, auditing, and other administrative procedures required for program participation.

A State agency may restrict the use of TEFAP administrative funds by eligible recipient agencies by disallowing one or more of the above types of expenses. If a State agency so restricts the use of administrative funds, the specific types of expenses the State will allow eligible recipient agencies to incur must be identified in the State agency's agreements with its eligible recipient agencies, or set forth by other written notification, incorporated into such agreements by reference.

State agencies must maintain records to document the amount of funds received under this part and paid to eligible recipient agencies for allowable administrative costs. State agencies must also ensure that eligible recipient agencies maintain such records.

*Auditing or Review.* States must conduct monitoring visits to at least 25 percent of the agencies with which they have TEFAP agreements each year, visiting each one at least once every 4 years. States also must conduct monitoring visits to the lesser of 10 percent or 20 of the sub-contracting agencies that receive TEFAP foods from the recipient agencies for distribution to the needy. Each review must encompass, as applicable, eligibility determinations, food ordering procedures, storage and warehousing practices, inventory controls, approval of distribution sites, reporting and recordkeeping requirements, and civil rights. If deficiencies are found, States must pursue corrective actions with the non-performing agencies. States are to terminate providers that distribute or permit distribution of materials not in accordance with program rules.

### ***Community Services Block Grants (CSBG)<sup>14</sup>***

*Description.* The Office of Community Services, Administration on Children and Families, U.S. Department of Health and Human Services (HHS), administers this formula grant program. It provides assistance to States and local communities, working through community action agencies and other neighborhood-based organizations to reduce poverty, revitalize low-income communities, and empower low-income families and individuals in rural and urban areas to become fully self-sufficient. In FY2004, grants made to States, the District of Columbia, Territories, and Tribal organizations totaled \$632 million.

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<sup>14</sup>Information sources: CFDA 93.569, [www.acf.dhhs.gov/programs/ocs](http://www.acf.dhhs.gov/programs/ocs), 45 CFR sections 16, 74, and 96.

*Structure.* States (used from here on to refer to all types of grant recipients) receive block grants to maximize their flexibility to tailor their programs to the particular service needs in their communities. Grantees are required to use at least 90 percent of their allocations for grants to "eligible entities," primarily local community action agencies and organizations that serve seasonal or migrant farm workers. States can provide training and technical assistance, support statewide communication between grantees, or run certain statewide programs targeting low-income children and their families. Grants are awarded competitively. Federal guidance is for outcome-oriented programs, with States and local grantees expected to develop strategic plans in alignment with national goals.

*Administrative Reimbursement Procedures.* No more than the greater of \$55,000 or 5 percent of each State's allocation may be used for State administrative expenses. The funds that the State uses for training and technical support do not count as administrative expenses. There are no direct guidelines on the administrative expenses of the recipient organizations other than they meet the cost and accounting standards set forth by the OMB.

*Auditing or Review.* States are required to make annual reports to the Secretary of HHS on goals met the previous year. The annual performance review includes an accounting of the expenditure of CSBG funds, including administrative funds. States are required to perform financial and compliance audits of grantees annually in accordance with OMB Circular A-133. Organizations with funding levels below \$500,000 are exempted from the audit requirement.

## ***Head Start***<sup>15</sup>

*Description.* Head Start promotes school readiness by enhancing the social and cognitive development of low-income children 3 or 4 years old. At least 90 percent of the enrollees must come from families receiving public assistance or whose income is documented to be at or below the poverty guidelines. Administered by the Administration for Children and Families (ACF) of HHS, 1,670 Head Start grantees received \$6.45 billion in FY2003.

*Structure.* Any local government, federally recognized Native American tribe, or public or private nonprofit or for-profit agency that meets the requirements may apply for a grant. A grantee may have multiple delegate agencies that provide services in different communities. Limited supplemental funding is available to States for training, technical assistance, and collaborative grants that foster interaction between Head Start agencies. Head Start agencies are required to have parent committees, policy councils, and other bodies that incorporate parents and the local community in the governance of the program.

*Administrative Reimbursement Procedures.* The total amount of funds for Head Start is based on appropriation. With few exceptions, Federal financing of Head Start programs cannot exceed 80 percent of total outlays; the non-Federal share may be paid in cash or in-kind by the Head Start agency or another party (e.g., State funding). Head Start agencies are entitled to be reimbursed for indirect costs that are not readily identified with a particular project but that are necessary to the general operation of the agency and the conduct of its activities. Certain overhead expenses

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<sup>15</sup> Information sources: CFDA 93.600, website: [www2.acf.dhhs.gov/programs/hsb](http://www2.acf.dhhs.gov/programs/hsb), 45 CFR 1301-1311.

go to reimbursing parents and local residents who are members of agency committees for reasonable travel expenses and per diem costs. The application for a Head Start grantee includes four columns—program operations, training and technical assistance, the non-Federal share, and number of people employed. Administrative costs are not separately proposed, but included in each column, as appropriate. Staff categories are defined within the following groups—services to children, family and community partnerships, program design, and other personnel. ACF reviews the applications for reasonableness, but there are no specific regulatory guidelines on caps or specific amounts per budgeted category.

*Auditing or Review.* Agencies are required to develop self-assessment teams and processes. An annual independent audit of each program is required. ACF does a structured, on-site review of each program once every three years to measure program compliance and institute quality improvement plans, if necessary. The review system used is posted on the Head Start website at <http://www.headstartinfo.org/pdf/2005PRISMGuide.pdf>.

### ***Weatherization Assistance Program***<sup>16</sup>

*Description.* Administered by the Office of Energy Efficiency and Renewable Energy of the U.S. Department of Energy (DOE), this program provides assistance to low-income persons, particularly the elderly and those with disabilities, to insulate their dwellings to reduce energy costs. The average of grants to improve thermal efficiency cannot exceed \$2,672 per home in 2003. Congress appropriated \$228.5 million for the program in FY2004, with the expectation that 94,450 homes would be weatherized.

*Structure.* States apply for grants from DOE; the amount they are awarded depends on a statistical formula based on the number of eligible recipients, the numbers of heating and cooling days that are required in the area, and other factors related to weatherization needs. In turn, the State distributes funds to subgrantees with preference given to Community Action Agencies.

*Administrative Reimbursement Procedures.* There is a statutory limit of 10 percent on funds that may be used for administrative purposes overall. Not more than 5 percent of the allocation for a program year may be used by a State for administrative purposes, with the remainder to go to subgrantees. An exception is for subgrantees that receive less than \$350,000 in Federal money: their administrative expenses can reach 10 percent of their grant, if justified by the State. Certain activities do not count against the administrative spending limits. Up to 10 percent of funds can be used for training and technical assistance, and these funds are not counted against administrative overhead. Subgrantees are allowed to charge legitimate program support costs to the program operations category rather than requiring those costs be charged to the administrative category. Salaries, space, utilities, telephone, and similar costs (including travel) associated with program support personnel are to be charged to program operations.

*Auditing or Review.* The State must conduct an assessment of each subgrantee at least once a year. An exception to the annual subgrantee visit requirement can be made for those agencies

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<sup>16</sup> Information sources: CFDA 81.042, website: [www.eren.doe.gov/buildings/weatherization\\_assistance](http://www.eren.doe.gov/buildings/weatherization_assistance), no CFR but guidelines published in June, 1977 and amended last in December, 2000.

designated as "exemplary" agencies by the State. Exemplary agencies must be reviewed at least every other year.

***Differences Among the Programs' Definitions of Administrative Expenses.*** These six programs define administrative expenses differently. For example, in the Weatherization program, there is a small set-aside for administration, but training and other activities that are considered administrative costs in the CACFP are considered a part of program operations. In WIC, as in the CACFP, many activities that might be considered program operations and services, such as nutrition counseling, are counted in the administrative category. Head Start does not identify separate administrative costs, but combines administration with other broad categories, such as services to children, outreach, and training. At minimum, determination of allowable costs is guided by OMB circulars on administrative guidelines for organizations receiving Federal funds.<sup>17</sup>

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<sup>17</sup> OMB Circulars A-87, A-110, A-122, and A-133 cover allowable expenses, administration of grants and agreements, consistent rules for nonprofit organizations, and audit requirements. All Federal agencies function under these guidelines, bringing a level of consistency and uniformity to their administration of programs through State, local, tribal, and private (including nonprofit) intermediaries. All OMB circulars are published on the OMB website at <http://www.whitehouse.gov/omb/circulars/index.html>.

## Summary and Implications

**Sponsor Functions.** The expert panel identified CACFP family childcare home sponsors' necessary administrative functions (see Appendix 1). Since then, additional tasks, such as checking each home's monthly meal claims for block claiming of children that may not have been in care that consistently, have been added to sponsors' mandatory administrative functions. For the list of functions to be complete, all of the additional tasks added by recent integrity rules would need to be added.

**Analysis of Reimbursement Limits.** The census of sponsor characteristics, budgets, and administrative cost claims found that the number of homes sponsored was the dominate factor related to the amount of administrative cost reimbursements sponsors received in Fiscal Year 2000. The homes-times-rates sum was the lowest and closest of the four administrative cost limits to the reimbursement received by 44 percent of sponsors. Reported costs were the lowest and closest limit for 41 percent of sponsors. But when we tried to determine what factors differentiate between rate- and cost-limited sponsors, the characteristics we had collected (for example, percent Tier I homes, type of organization, size and urbanization level of area covered, years as a sponsor, and FNS region of operations) did not differentiate between them. Perhaps efficiencies in staff assignments, computerization of record keeping, business acumen of directors, lower wage areas of operation, or other business operational differences that were not measured in this exploratory study separate the cost-limited from the rate-limited sponsors.

**Underreporting of Administrative Costs.** Several members of our expert panel said that they did not bother to report all administrative costs when their monthly total costs would exceed the homes-times-rates amount that would limit their reimbursements. To see how widespread knowledge of underreporting was among State CACFP offices, we asked questions about it in the census of sponsor information. About half of the 41 responding States are aware of underreporting on budgets and monthly costs. The most often reported reasons they gave for underreporting included, 1) sponsors not claiming more than the homes-times-rates limit would allow, 2) some costs are covered by other funding or in-kind sources and therefore not reportable, and 3) the program does not allow for reimbursement of all sponsor costs.

**Pretest of Sponsor Survey.** RNI and ORC Macro interviewed 5 sample sponsors to determine if they did or could record administrative costs by the major functions identified by the expert panel. All five had to estimate how their administrative costs were distributed across functions because they did not keep records in that format. Whether their meal reports were computerized, how much outside funding they received, and how much recruiting they did were among the factors that affected how they distributed costs by function. The pretest sponsors had no experience with functional accounting and the budgets sponsors' file with their State CACFP offices are not required to be broken out by function. It is, therefore, highly unlikely that many, if any, sponsors currently keep functional records. In the study that was the basis for the current homes-times-rates schedule, Abt Associates found it necessary to collect income, expenditure,

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This study was conducted by Resource Network International and ORC Macro under a research contract with the Economic Research Service. The views expressed are those of the authors and not necessarily those of ERS or USDA.

and time-use data through on-site interviews.<sup>18</sup> An on-site study of a statistically reliable, representative sample of CACFP childcare home sponsors would be necessary to determine what it currently costs to perform required CACFP administrative functions.

**Cost Benchmarks.** To help State offices in assessing whether wages or rents charged to administrative costs are reasonable, we identified public and private sources of data for States and cities. The Occupational Employment Statistics Survey (OES) is based on a large sample of establishments with 5 or more workers and provides data on average wages by industry and occupation for States and many metropolitan areas. It should provide a good basis for assessing the reasonableness of sponsor's wages by type of employee.

Only private sources of information on local area average rents were found. The Building Owners and Managers Association (BOMA) survey and the Society of Industrial and Office Realtors (SIOR) survey are the two major information sources. BOMA annually publishes the *Experience Exchange Report* (EER) on market conditions. The 2004 edition (based on 2003 data) reports operating income and expense data on over 5,000 public and private sector commercial properties throughout North America. SIOR annually publishes *Comparative Statistics of Industrial and Office Real Estate Markets*. The 2004 edition reports results for over 140 markets throughout the USA, Canada, and Mexico. One or both of these reports may be useful to State CACFP offices in assessing the reasonableness of sponsors' rent expenses.

**Alternative Administrative Cost Reimbursement Systems.** The Catalog of Federal Domestic Assistance was searched for programs with an intermediary level of administration at least moderately like the role of CACFP sponsors of participating family childcare homes. This role seems to be relatively rare in that we found only six other programs with even moderately the same administrative level. Our census of sponsors' administrative costs found that sponsor reimbursements were 14.5 percent of the total meal and administrative cost reimbursements in the family childcare home portion of the CACFP in FY2000. FNS' National Data Bank indicates that administration was 14.4 percent of total reimbursements in FY2004. We intended to compare the six other programs' percentages of funds spent on the comparable level of administration, but could not find such information for the non-USDA programs. FNS' National Data Bank indicates that Summer Food Service Program sponsors' administrative cost reimbursements were 7 percent, WIC administrative cost reimbursements were 26.5 percent, and TEFAP administrative cost reimbursements were 13.9 percent of total reimbursements in FY2004.

Akin to WIC, States could be given authority to contract with sponsors to provide administrative services for a fixed annual fee. The fee could be based on previous year's caseload and performance, and adjusted semi-annually for significant changes in program participation. Guidelines for States in considering sponsor performance could include the proportion of low-income children served, how efficiently resources are being used, and the quality of program outcomes. This system would enable sponsors to plan operations for 6-month periods and not worry about fluctuating monthly levels of reimbursement. Adopting this system would not mean

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<sup>18</sup> Glantz, Frederic B., Mary Kay O'Neill Fox, and others, *Evaluation of the Child Care Food Program: Final Report on the Congressionally Mandated Studies*, Volume 1, Aug. 2, 1982 and *Technical Appendix*, Part I, March 14, 1983. Contract No. 53-3198-40.

that CACFP sponsors' administrative costs would necessarily rise from 14.4 to WIC's 26.5 percent of total reimbursements. WIC administrative costs include medical diagnostic tests and participant nutrition counseling. CACFP sponsor administrative functions do not include a similar level of interaction with family childcare providers.

Some panel members suggested that State offices should directly administer family childcare homes. Because our study did not gather data about States' capacity to perform this function, we have no basis for assessing this suggestion. Sponsors that covered significant geographic areas hired temporary and part-time monitors locally to control travel costs. This may be problematic in unionized State agencies and States with hiring freezes.

Any new system should be tested in a few pilot States to determine its effects on administrative costs and State- and sponsor-level program administrative burden and integrity. However, with the last analysis of family childcare home sponsors' costs having been conducted in 1980-81 and many changes in sponsor functions having occurred since them, a new analysis of costs by function may be needed to set allowable costs in any new system. If a new system is not tested or adopted, such an analysis could be used to assess the accuracy of the current homes-times-rates schedule.

## **Appendix A**

### **Sponsor Activities By Major Administrative Function**

#### **Recruiting**

Brochures: Creation, preparation time, typing, translation, updating, printing, distribution

Minority Outreach

Purchase/Obtain new provider lists: Calls, visits, callbacks, appointments, tracking pending providers

Advertising: Create and put up posters, write and air radio or cable TV ads, write and print ads in newspapers or community bulletins

Community Outreach: Attend meetings, conferences; Visit businesses, program sharing

Prepare provider materials/packets: Handbook, nutrition education and technical assistance materials, forms; Document visits/file set-up; Inquiry Calls/Q&A;

Some sponsors do licensing: Take money order, submit to fire marshal, go with to certify; Re-certify homes, verify parent's work, verify that the provider is caring for child

#### **Training**

Preapproval Visit/Enrollment/Initial Home Visit: Complete necessary paperwork, review handbook and program requirements; Determine tier status, financial verification, Train provider on documentation requirements

28-day Visit: Review forms, menus; Check program compliance; Provide technical assistance

Newsletters: Standardize recipes, Edit materials, Print, and Distribute

Provider Manual: Develop, Keep updated, and Distribute

Training Materials: Develop, Edit, Update, Inventory, Order, Print/Copy, and Distribute

Formal Workshops: Determine and develop topic, Create and print handouts, Reserve workshop space and set up, Conduct workshop, Evaluate

Childcare Conferences and Workshops: Attend sessions for professional development, Make presentations on how we operate, such as how we train, monitor, or recruit

Staff Training: Plan and organize agendas, Follow up questions/concerns

#### **Monitoring**

Organizing, scheduling, and planning visits to be done

Determine need/frequency and type of visit needed

Make announced/unannounced visits, some at meal time

Complete edit checks, including capacity of license, enrollment, number of children present, food served, and comparison of observed number of meals with claimed meals

Provide nutrition education or technical assistance

Complete forms/documentation of visit

Parent contacts/parent audits and verification of children

Adjust claims as needed/corrective action

Identify problem providers-parent contacts, certified letter to provider, analyze parent audits, take action, contact provider, contact lawyer if needed, contact State agency

Conduct normal closeout procedures for providers voluntarily leaving the program

Conduct termination procedures for providers terminated for cause

Work on appeals by terminated providers

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**Tier Determination**

Maintain/update tier status and documentation  
Compile income eligibility applications  
Map addresses for low-income area determinations  
Evaluate parent applications

**Reimbursement**

Set up and maintain provider files, including database of children, capacity, address, meals, hours of operation, tier status, current license  
Add new enrollments/drop children  
Check menus, meal patterns, and attendance records  
Check that meals per child do not exceed the maximum  
Compare claimed meals with days approved to claim and with home visit observations  
Calculate totals  
Check disallowances  
Enter into database  
Prepare reports for State  
Notify provider of errors/disallowances via mail/phone  
Revised prior month's reports  
Generate provider checks, verify amounts, and mail  
Some sponsors enter reimbursement into State database for certification and claim

**Administrative**

Advertising for, interviewing, and hiring adequate staff to recruit, monitor, and train providers  
Supervision of staff  
Bookkeeping, either on paper or computerized  
Accounting for all CACFP administrative costs  
Receptionist and Clerical functions, including maintenance of records for the required period