

Authority: Sections 4, 8, 11 and 17A of the National School Lunch Act, as amended, (42 U.S.C. 1753, 1757, 1759a, 1766a) and sections 3 and 4(b) of the Child Nutrition Act, as amended, (42 U.S.C. 1772 and 42 U.S.C. 1773(b)).

Dated: June 26, 1998.

George A. Braley,

Acting Administrator.

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DEPARTMENT OF AGRICULTURE

Food and Nutrition Service

Child and Adult Care Food Program: National Average Payment Rates, Day Care Home Food Service Payment Rates, and Administrative Reimbursement Rates for Sponsors of Day Care Homes for the Period July 1, 1998-June 30, 1999

AGENCY: Food and Nutrition Service, USDA.

ACTION: Notice.

SUMMARY: This notice announces the annual adjustments to the national average payment rates for meals served in child care, outside-school-hours care and adult day care centers; the food service payment rates for meals served in day care homes; and the administrative reimbursement rates for sponsors of day care homes to reflect changes in the Consumer Price Index. Further adjustments are made to these rates to reflect the higher costs of providing meals in the States of Alaska and Hawaii. The adjustments contained in this notice are required by the statutes and regulations governing the Child and Adult Care Food Program (CACFP).

EFFECTIVE DATE: July 1, 1998.

FOR FURTHER INFORMATION CONTACT: Robert M. Eadie, Branch Chief, Policy and Program Development Branch, Child Nutrition Division, Food and Nutrition Service, USDA, Alexandria, Virginia, 22302, (703) 305-2620.

SUPPLEMENTARY INFORMATION: This program is listed in the Catalog of Federal Domestic Assistance under No. 10.558 and is subject to the provisions of Executive Order 12372, which requires intergovernmental consultation with State and local officials. (See 7 CFR Part 3015, Subpart V, and final rule related notice published at 48 FR 29114, June 24, 1983.)

This notice imposes no new reporting or recordkeeping provisions that are subject to Office of Management and Budget review in accordance with the

Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3518).

This action is not a rule as defined by the Regulatory Flexibility Act (5 U.S.C. 601-612) and thus is exempt from the provisions of that Act. This notice has been determined to be exempt under Executive Order 12866.

Definitions

The terms used in this notice shall have the meanings ascribed to them in the regulations governing the CACFP (7 CFR Part 226).

Background

Pursuant to sections 4, 11 and 17 of the National School Lunch Act (NSLA) (42 U.S.C. 1753, 1759a and 1766), section 4 of the Child Nutrition Act of 1966 (CNA) (42 U.S.C. 1773) and sections 226.4, 226.12 and 226.13 of the regulations governing the CACFP (7 CFR Part 226), notice is hereby given of the new payment rates for participating institutions. These rates shall be in effect during the period July 1, 1998 through June 30, 1999.

As provided for under the NSLA and the CNA of 1966, all rates in the CACFP must be revised annually on July 1 to reflect changes in the Consumer Price Index (CPI) for the most recent 12-month period. In accordance with this mandate, the Department last published the adjusted national average payment rates for centers, the food service payment rates for day care homes and the administrative reimbursement rates for sponsors of day care homes on July 14, 1997 at 62 FR 37702 (for the period July 1, 1997-June 30, 1998).

Section 704(b) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Pub. L. 104-193, amended section 11a(3)(B) of the NSLA (42 U.S.C. 1759a(a)(3)(B)) and changed the method for computing the annual adjustments to the national average payment rates for meals and supplements served to *non-needy* children in day care centers. Beginning July 1, 1997, the annual adjustments to the payment rates for *paid* meals and *paid* supplements were rounded down to the nearest whole cent. The annual adjustments to the payments for free and reduced price meals and to the payments for free and reduced price supplements were unchanged by Pub. L. 104-193 and continue to be rounded up or down to the nearest one fourth cent.

Section 708(e)(1) of Pub. L. 104-193 also amended section 17(f)(3)(A) of the NSLA to establish two "tiers" of day care homes and reimbursement rates. Tier I homes are homes located in low-income areas or homes in which the provider's household income is at or

below 185 percent of the Federal income poverty guidelines. Tier II homes are those homes which do not meet the location or provider income criteria for a tier I home. However, tier II homes may receive the tier I rates for meals served to identified income-eligible children (i.e. children from households with incomes at or below 185 percent of the Federal income poverty guidelines).

Pub. L. 104-193 further specified in section 17(f)(3)(A)(ii) (III) and (IV) the reimbursement factors for meals served in tier I day care homes as the factors in effect on July 1, 1996, with adjustments made to the factors on July 1, 1997, and each July 1 thereafter. Pub. L. 104-193 further provided in section 17(f)(3)(A) (ii)(IV) and (iii)(I)(bb) (42 U.S.C. 1766(f)(3)(A) (ii)(IV) and (iii)(I)(bb)) of the NSLA that the factors paid to tier I and tier II homes be rounded down to the nearest whole cent, instead of rounding the factors up or down to the nearest quarter-cent increment as previously required. Subsequent adjustments must be based on the unrounded rate from the preceding school year. In addition, annual adjustments, which were previously based on changes in the CPI for food away from home, must now be made based on the CPI for food at home.

Please note that reimbursement rates for tier II family day care homes are set forth in section 17(f)(3)(A)(iii)(I)(aa) of the NSLA (42 U.S.C. 1766(f)(3)(A)(iii)(I)(aa)), as amended by section 708(e)(1) of Pub.L. 104-193. After these reimbursement rates were adjusted and rounded down to the nearest whole cent as required under the law, an additional six cents was added to the breakfast rate as required by section 4(b)(3) of the CNA of 1966, as amended (42 U.S.C. 1773(b)(3)). The CNA requires that all reimbursement rates for breakfasts served under the School Breakfast Program and the CACFP be adjusted upward by six cents. As background, this addition was first made in 1986, under Pub. L. 99-500, the School Lunch and Child Nutrition Amendments of 1986, which added three cents to adjusted breakfast rates to assist States in improving the nutritional quality of the breakfasts. This adjustment was raised from three cents to six cents in 1989 under Pub. L. 101-147, the Child Nutrition and WIC Reauthorization Act of 1989, for the same reason.

The payment rates for the period July 1, 1998-June 30, 1999 are:

ALL STATES EXCEPT ALASKA AND HAWAII

Meals Served in Centers—Per Meal Rates in Dollars or Fractions thereof:	
Breakfasts:	
Paid	\$0.20
Free	1.0725
Reduced	0.7725
Lunches and Suppers: ¹	
Paid	\$0.18
Free	1.9425
Reduced	1.5425
Supplements:	
Paid	\$0.04
Free5325
Reduced2675

¹ These rates do not include the value of commodities (or cash-in-lieu of commodities) which institutions receive as additional assistance for each lunch or supper served to participants under the program. A notice announcing the value of commodities and cash-in-lieu of commodities is published separately in the FEDERAL REGISTER.

	Tier I	Tier II
Meals Served in Day Care Homes—Per Meal Rates in Dollars or Fractions thereof:		
Breakfasts	\$0.90	\$0.34
Lunches and Suppers	1.65	1.00
Supplements	0.49	0.13
Administrative Reimbursement Rates for Sponsoring Organizations of Day Care Homes—Per Home/Per Month Rates in Dollars:		
Initial 50 day care homes		\$76
Next 150 day care homes		\$58
Next 800 day care homes		\$45
Additional day care homes		\$40

Pursuant to section 12(f) of the NSLA (42 U.S.C 1760(f)), the Department adjusts the payment rates for participating institutions in the States of Alaska and Hawaii. The new payment rates for Alaska are as follows:

ALASKA

Meals Served in Centers—Per Meals Rates in Dollars or Fractions thereof:	
Breakfasts:	
Paid	\$0.29
Free	1.70
Reduced	1.40
Lunches and Suppers: ¹	
Paid	\$0.30
Free	3.1450
Reduced	2.7450

ALASKA—Continued

Supplements:	
Paid	\$0.07
Free	0.8625
Reduced	0.4325

¹ These rates do not include the value of commodities (or cash-in-lieu of commodities) which institutions receive as additional assistance for each lunch or supper served to participants under the program. A notice announcing the value of commodities and cash-in-lieu of commodities is published separately in the FEDERAL REGISTER.

	Tier I	Tier II
Meals Served in Day Care Homes—Per Meal Rates in Dollars or Fractions thereof:		
Breakfasts	\$1.42	\$0.52
Lunches and Suppers	2.68	1.62
Supplements	0.80	0.22
Administrative Reimbursement Rates for Sponsoring Organizations of Day Care Homes—Per Home/Per Month Rates in Dollars:		
Initial 50 day care homes	123	
Next 150 day care homes		94
Next 800 day care homes		73
Additional day care homes		65

The new payment rates for Hawaii are as follows:

HAWAII

Meals Served in Centers—Per Meal Rates in Dollars or Fractions thereof:	
Breakfasts:	
Paid	\$0.23
Free	1.2450
Reduced	0.9450
Lunches and Suppers: ¹	
Paid	\$0.21
Free	2.27
Reduced	1.87
Supplements:	
Paid	\$0.05
Free	0.6225
Reduced	0.3125

¹ These rates do not include the value of commodities (or cash-in-lieu of commodities) which institutions receive as additional assistance for each lunch or supper served to participants under the program. A notice announcing the value of commodities and cash-in-lieu of commodities is published separately in the FEDERAL REGISTER.

	Tier I	Tier II
Meals Served in Day Care Homes—Per Meal Rates in Dollars or Fractions thereof:		
Breakfasts	\$1.04	\$0.39
Lunches and Suppers	1.93	1.17
Supplements	0.57	0.16
Administrative Reimbursement Rates for Sponsoring Organizations of Day Care Homes—Per Home/Per Month Rates in Dollars:		
Initial 50 day care homes	\$89	
Next 150 day care homes	68	
Next 800 day care homes	53	
Additional day care homes	47	

The changes in the national average payment rates for centers reflect a 2.75 percent increase during the 12-month period May 1997 to May 1998 (from 156.3 in May 1997 to 160.6 in May 1998) in the food away from home series of the CPI for All Urban Consumers, published by the Bureau of Labor Statistics of the Department of Labor.

The changes in the food service payment rates for day care homes reflect 2.03 percent increase during the 12-month period May 1997 to May 1998 (from 157.5 in May 1997 to 160.7 in May 1998) in the food at home series of the CPI for All Urban Consumers.

The changes in the administrative reimbursement rates for sponsoring organizations of day care homes reflect a 1.68 percent increase during the 12-month period May 1997 to May 1998 (from 160.1 in May 1997 to 162.8 in May 1998) in the series for all items of the CPI for All Urban Consumers, published by the Bureau of Labor Statistics of the Department of Labor.

The total amount of payments available to each State agency for distribution to institutions participating in the program is based on the rates contained in this notice.

Authority: Sections 4(b)(2), 11a, 17(c) and 17(f)(3)(B) of the National School Lunch Act, as amended (42 U.S.C. 1753(b)(2), 1759a, 1766(f)(3)(B)) and section 4(b)(1)(B) of the Child Nutrition Act of 1966, as amended (42 U.S.C. 1773(b)(1)(B)).

Dated June 26, 1998.

George A. Braley,
Acting Administrator.

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