

SECTION 9: Tiering, Income Eligibility, Household Income

A two-tier reimbursement system was established for family day care homes and group homes to target higher reimbursement rates to low-income areas and to providers and children from low-income households.

- Tiering Eligibility Guidance
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Tiering/Eligibility Guidance

Classification of Family Day Care Homes (FDCH) and Group Homes

A Sponsoring Organization (SO) of family day care homes (FDCH) and group homes participating in the Child and Adult Care Food Program (CACFP) must determine the reimbursement category for the home providers under their sponsorship per the two-tier reimbursement system established by Public Law 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

The system was designed to target higher reimbursement rates to providers in low-income areas and to providers and children from low-income households. The basis for the determination of higher reimbursement rates includes:

- the location of the FDCH or group home
- the income of the home provider's household; or
- the income of individual children's households receiving care from the home provider.

The Income Eligibility Guidelines (IEG) used to determine eligibility for free and reduced-price meals in the school lunch program are updated annually and are also utilized to determine eligibility for the two-tier reimbursement system for CACFP. The IEG includes household size and income levels determined annually by the Secretary of Agriculture to determine eligibility for free and reduced-price meals. The guidelines for reduced-price meals, set at or below 185 percent of the Federal income poverty guidelines, are the basis for qualifying a provider or child to receive Tier I meal reimbursement.

FDCHs and group homes are categorized in three different manners and receive reimbursement accordingly, including Tier I, Tier II, or Tier II mixed. The Tier I category provider meets IEG and receives the higher reimbursement rates. The Tier II category receives the lower reimbursement rates and is not subject to IEG. Finally, the Tier II mixed-category provider receives reimbursement at both higher and lower rates, dependent upon the household income of the individual children under the provider's care. The methodology to determine eligibility for the different tier reimbursements is discussed in this section.

Tier I FDCHs and Group Homes

SOs are responsible for determining the eligibility of Tier I home providers and must ensure accurate verification since it is financially beneficial for an FDCH or group home to receive Tier I reimbursement rather than Tier II reimbursement,

DHSS-CFNA will assess an overclaim against an SO if records indicate the SO has intentionally or negligently misclassified the FDCH or group home. An SO must obtain appropriate documentation to verify Tier I reimbursement and must retain such documentation for as long as the current classification is in effect, plus three years after the end of the fiscal year to which they pertain. An SO must send written notification to a provider who qualifies for Tier I rates. Such notification must include the effective dates and the basis for Tier I eligibility, i.e., per school data, census data, household income, or categorical eligibility.

An FDCH or group home is classified as Tier I by the location of the home (area eligibility), household income, or categorical eligibility of the provider. Once a provider is classified as Tier I, the provider will receive CACFP reimbursement at the Tier I rate for all children in the provider's care. Household income for the individual children is not obtained and is not a factor for Tier I classification.

When a provider is determined to be Tier I eligible by area eligibility (either school or census), to be able to claim their children, the provider must complete an Income Eligibility Form and qualify accordingly.

Area Eligibility- Location of Home

The location of the FDCH or group home can be identified as "eligible" through two different methods:

1. The home is located in an area served by any public school in which at least 50 percent of the enrolled children are certified eligible for free and reduced-price school meals; or

2. The home is located in a geographic area, as determined by census data, in which at least 50 percent of the children residing in that area are eligible to receive free or reduced-price school meals.

Provider Eligibility-Provider Household Income or Categorical Eligibility

The provider can be identified as “eligible” based on verification of either household income or categorical eligibility, provided that income levels meet the IEG. Categorically eligible programs include the Supplemental Nutrition Assistance Program (SNAP) (formerly known as the Food Stamp Program) and the Temporary Assistance (formerly known as TANF).

Use of School Data/Documentation Requirements

The SO may consult school information to determine the eligibility of FDCHs and group homes for Tier I reimbursement, except in areas where school data is not indicative of the socioeconomic conditions of the area due to school busing policies, the existence of charter or magnet schools, etc. DHSS-CFNA will keep SOs informed of areas where school data may not be used.

By February 1 each year, the Missouri Department of Elementary and Secondary Education (DESE) is required to provide DHSS-CFNA with an annual listing of elementary schools in the state in which at least 50% of enrolled children are eligible to receive free or reduced-price school meals. DHSS-CFNA is, in turn, required to provide the SO with such information annually by February 15.

Effective June 30, 2004, the SO's determination that an FDCH or group home is eligible to receive Tier I reimbursement rates based on school data is valid for five years. Thus, the tiering status of newly participating homes, with signed agreements, effective on or after June 30, 2004, will be redetermined in five years. The tiering status of currently participating homes, with signed agreements, prior to June 30, 2004, whose tiering status is based on a three-year redetermination cycle, may be extended by two years for a total of five years. If the SO chooses to extend the cycle, it must apply the methodology consistently to all affected eligible homes.

The SO, MDHSS-CFNA, or Food and Nutrition Service (FNS) may change the Tier I determination if information becomes available that the provider is no longer in a qualified area. However, MDHSS-CFNA does not routinely require annual redeterminations based on updated elementary school data. When determining the status of new providers entering the CACFP, the SO must use the most recent data available. Even though this could result in two providers in the same neighborhood with different classifications, the SO is not required to re-evaluate the tiering status until the expiration of the five-year period.

The SO may elect to annually re-classify Tier I providers that are currently eligible based on school data. However, if the SO chooses to do so in an effort to extend the eligibility time frame, the following two requirements must be met: 1) the SO must be consistent and apply the annual reclassification process to all providers whose eligibility is based on school data and 2) the SO must document this practice and the methodology used in its management plan for pre-approval by the MDHSS-CFNA. The application of consistency requires that the SO apply the new school data to all Tier I providers who are eligible on the basis of school data, even if it causes some providers to lose their Tier I status prior to the normal expiration date. The SO cannot re-classify only a select few providers that are close to the 50% cutoff and may be in danger of losing this classification in the near future.

Written communication from USDA in March 2002 discourages the practice of annual reclassification of such providers. For one reason, it could make some providers ineligible one or two years before the required five-year effective time period expires, thereby making them ineligible for Tier I rates during this time period. For another reason, it would increase the SO workload and entail time that could be utilized more effectively in other areas of program management, such as training and monitoring providers.

SOs may choose to re-evaluate Tier I census and income homes and Tier II homes on an annual basis when new school data is made available in the event that these homes may become eligible for Tier I rates on the basis of new school data.

The following example addresses the impact on meal reimbursement when an individual not living in the home provides childcare. When an FDCH or group home is licensed by Individual A, who hires Individual B to provide day care in Individual A's home, Individual A's home is the appropriate one to consider for purposes of Tier I eligibility when tiering can be established based on school data. See information regarding absent providers in this chapter.

Do not use school data, but refer to census data to establish Tier I eligibility in the following circumstances:

- 1) When busing or magnet or charter schools exist, school attendance may not reflect the area's socioeconomic status.
- 2) If the SO is unable to obtain local elementary school attendance information after making reasonable efforts.
- 3) When the school's free and reduced enrollment is above 40%.

Do not use school data, but verify household income to establish Tier I eligibility in the following circumstances:

- 1) When the provider's home is located in an affluent area within the attendance area of an eligible school

Documentation Requirements for the Use of School Data for Tier I eligibility:

The SO must maintain written documentation on file that includes the name of the elementary school and verification that the associated percentage of children eligible to receive free and reduced-price school meals is at least 50%. This source of verification of the qualifying percentage can be obtained from either the annual listing provided by MDHSS-CFNA with the affected school listed or written documentation from a school official. In addition, the SO must have written confirmation that the provider's address is within the school's jurisdiction. This can be in the form of either a letter, dated and signed by the school official, or documentation of a phone call with a school official including the same information, date, and name of the school official consulted. The SO must sign and date the verification documentation. The same verification/documentation process is required for re-verification every five (5) years.

When a provider is determined to be Tier I eligible by the school, the provider must complete an Income Eligibility Form and qualify accordingly in order to claim their own child (ren).

Tiering

Use of Census Data/Documentation Requirements

Beginning in 2005, the Census Bureau began estimating household income annually using the American Community Survey (ACS). This is a change from the previous release of census data every ten years. The Food and Nutrition Service will release the new estimates yearly, and MDHSS-CFNA will send the information to the Sponsoring Organization yearly.

Census data may be used, and certain circumstances merit the use of census data over school data to verify Tier I eligibility, including the following:

- 1) When the FDCH or group home is located in a rural area where large elementary school attendance obscures localized pockets of poverty.
- 2) When the school data indicates a free and reduced enrollment percentage between 40% and 49.9%.
- 3) When the local elementary school data does not accurately reflect the surrounding area's socioeconomic condition due to busing or magnet or charter schools.

To reduce the burden and maintain consistency in determination timelines, the SO's determination that an FDCH or group home is eligible to receive Tier I reimbursement rates based on census data will be

effective for five years. The SO, MDHSS-CFNA, or Food and Nutrition Service (FNS) may change the Tier I determination if information becomes available that the provider is no longer in a qualified area.

Sponsors must annually inform Tier II home providers that the provider may ask for a reclassification to be considered when new census data become available each year and that reclassification may be made at any time for Tier II homes.

Documentation Requirements for Use of Census Data for Tier I Eligibility:

The SO must maintain census block boundary maps with the provider's specific address and associated poverty percentage to document their eligibility to receive Tier I reimbursement. For a CACFP FDCH or group home to be eligible, 50 percent or more of the children in a Census Block Group (CBG) or Census Tract must be eligible for free or reduced-price school meals. The SO must sign and date the verification documentation.

Occasionally, a potential CACFP FDCH or group home is determined not to be area-eligible but is located immediately adjacent to an eligible area. This proximity suggests that the children residing in the area from which the home or site would most likely draw participants would have a likelihood of similar census demographics. Therefore, based on the analysis of the proposed location, up to three adjacent CBGs may be averaged, using a weighted average, to determine eligibility. In such a case, CACFP homes and SFSP and SSO sites are considered area eligible if the percentage of children eligible for free or reduced-price meals in up to three adjacent CBGs when averaged is 50 percent or more, provided that at least 40 percent of children in each of the individual CBGs are eligible for free or reduced-price meals. Census Tracts may not be combined.

The use of averaged CBGs must be approved by the State agency prior to SO approval. Computer software is available online through the USDA Eligibility Mapper and the Food Research and Action Center (FRAC) to match a list of street addresses to eligible Census Block Groups and Census Tracts.

USDA census map: <https://www.fns.usda.gov/area-eligibility>

FRAC census map: <https://online.caliper.com/mas-874-drp-290-ujr/>

No Kid Hungry census map: <https://bestpractices.nokidhungry.org/Averaged-Eligibility-Map>

NOTE: When a provider is determined to be Tier I eligible by census, to be able to claim her/his own child(ren), the provider must complete an Income Eligibility Form and qualify accordingly.

Provider's Household Income or Categorical Eligibility/Documentation Requirements

When an FDCH or group home is classified for Tier I eligibility based on the provider's household income or categorical eligibility, the SO must have completed the following before reimbursing the provider for meals at Tier I reimbursement rates:

- 1) Obtain an Income Eligibility Form (IEF), Form CACFP-101, completed by the provider, which lists all household members and income or indicates categorical eligibility.
- 2) Verify that information on the IEF is mathematically correct and that family size and total household income are within the current Income Eligibility Guidelines (IEG).
- 3) Verify the accuracy of the information on the IEF with outside sources and/or external documentation.
- 4) Maintain required documentation to support information provided on the IEF.
- 5) Complete the last section of the IEF to summarize household size and income or categorical information and sign and date the form.
- 6) Send notice to the provider to confirm reimbursement at Tier I rates and the effective date of eligibility.

Information Required on the Income Eligibility Form (IEF)-Form CACFP 101:

SOs must obtain an IEF, Form CACFP-101, to document the classification of providers for Tier I reimbursement rates on the basis of household income eligibility or to reimburse Tier I providers for meals served to their own children when the provider qualifies for Tier I rates on the basis of school or census data. The following information must be provided on all CACFP-101 forms:

Eligible Per Household Income:

- Part 1 - the names and birthdates of all residential children enrolled in the FDCH or group home for care.
- Part 2 - for Tier I providers whose eligibility is based on household income: computation of net day care income. The income, costs, and net day care income information must be consistent with other documentation requirements in this section.
- Part 3 - the names and the total income received by each member of the household and the source of that income. NOTE: Refer to Determination of Individual/Household Income of this chapter for guidance in the definition of “household” and the definition and calculation of “income.”
- Part 4 – the signature and date of the adult household member completing the IEF.
- Part 4 –the last four digits of the social security number of the adult household member who signs the application or indicates that they do not possess a social security number. The exception to this requirement is if the children’s Temporary Assistance (formerly known as TANF) or Supplemental Nutrition Assistance Program (SNAP) case number is provided.

Categorical Eligibility:

- Part 1 - the names and birthdates of all residential children enrolled in the FDCH or group home for care.
- Part 1 – Temporary Assistance or SNAP case numbers for households who are categorically eligible based upon receiving Temporary Assistance or SNAP assistance. NOTE: the “expanded” categorical programs may only be used for determining the eligibility of non-residential children enrolled in Tier II homes.
- Part 4 - the signature and date of the adult household member completing the form.

The SO’s determination that a home is eligible to receive Tier I reimbursement rates based on the provider’s household income or categorical eligibility is valid for one year.

Provider’s Household Income Eligibility:

A provider may qualify for Tier I reimbursement by providing written evidence that household income is within the Income Eligibility Guidelines (IEG). A provider’s household income refers to the income of the home provider and the income of all other household members.

Documentation Requirements (to support the IEF) for Household Income Eligibility:

All CACFP providers’ households include at least one self-employed individual; sometimes, the spouse is also self-employed. Self-employed individuals do not have documentation from outside sources, such as current wage statements and pay stubs, that can be verified with an employer. For this reason, the prior year’s Internal Revenue Service (IRS) income tax forms provide the most reliable method to verify a provider’s earnings and/or those of a self-employed spouse and are the required documentation to verify eligibility for Tier I rates.

The provider must submit a signed copy of the most recent IRS income tax return that was submitted to the IRS. For example, the deadline for submission of IRS income tax forms is April 15. Therefore, if a SO verifies a provider’s household income on March 1, 2023, prior to the April 15 due date, it is possible the most recent IRS income tax forms submitted would be for 2021 since IRS income tax forms for 2022 would not yet be due. In contrast, if an SO is verifying a provider’s household income on April 30, 2023, after the April 15 due date, the most recent IRS income tax forms would be for 2022, the previous year. However, since the provider could have filed their IRS income tax forms earlier in

the calendar year before the April 15 due date, the SO must request the most recent IRS income tax forms filed, as required by law.

The specific IRS income tax forms required include:

- 1) Form 1040
- 2) Schedule C

The forms must be valid, including appropriate signatures and dates that correspond to the correct tax year, and reflect legitimate copies of the actual forms that were submitted to the IRS. The SO must review the forms to ensure the flow of income is consistent throughout the documents. For example, the income reported on Schedule C should appear on Form 1040 in the Income section on the Business income or (loss) line (Line 12). Finally, the income reflected on Form 1040 should flow through to the IEF.

If a self-employed spouse continues in the same business as in the prior tax year, the income reflected on the most recent IRS income tax forms will accurately reflect earnings to incorporate into the household income calculation. The documentation requirements are the same as those outlined above for a provider, except if the spouse is a self-employed farmer, Schedule F is submitted for the spouse, and Schedule C is submitted for the day care provider. Additionally, the income reported on Schedule F should appear on Form 1040 in the Income section on the Farm income or (loss) line (Line 18).

NOTE: No single line on Form 1040 captures a provider's household income as it is defined in CACFP. The USDA defines income differently for eligibility of its programs than the IRS defines income for income tax purposes. Refer to Determination of Individual/Household Income of this chapter for guidance on the definition and calculation of household income.

Exceptions to the use of tax documentation:

If a provider's household income has changed significantly between the end of the tax year and the time of application for Tier I eligibility, it may be necessary to utilize either other sources or sources in addition to the IRS income tax forms to verify current household income levels. If there are two income earners in the household, it is possible that IRS income tax forms accurately reflect the income of one of the earners. Therefore, even though the IRS income tax forms might not be the sole source to reflect current household income accurately, certain information must be extracted from those forms for members whose income is accurately reflected on such forms.

Per USDA policy, CACFP 520, there are four exceptions when using the previous year's IRS income tax documentation would not be the sole source to derive current household income. In these cases, other written confirmation that reflects the household's current income must be submitted. Following are the four exceptions cited:

- 1) The household's composition has changed since the end of the prior tax year due to a change in marital status, the death of a spouse, or a change in the number of household members.

Documentation requirements: The most recent IRS income tax forms would likely still accurately represent the remaining spouse's income, but the income pertaining to the other spouse would need to be deleted to derive total household income. However, this scenario could result in additional income in other areas, such as child support, alimony, or survivor's benefits, that would need to be added to derive total household income.

- 2) Household income has changed significantly due to a household member's gain or loss of employment. The loss or gain would have to be for an extended period, generally over three months, to impact the gross annual income received by the household.

Documentation requirements: The most recent IRS income tax forms would likely still accurately represent the household member whose circumstances may not have changed, but the income pertaining to the household member with changed circumstances would need to be deleted from the income reported on the IRS income tax forms to derive one component of total household income.

The component of total household income for the household member with changed circumstances would be calculated separately and added to the income reported on the IRS income tax forms for the household member with unchanged circumstances. However, in this scenario, a loss of income could be offset by an increase in additional income in other areas, such as unemployment compensation or other governmental benefits that would need to be added to derive total household income.

The provider must submit the following for a household member with a significant gain or loss of employment: a) Pay or wage stubs or a letter from the employer confirming wages. Such confirmation must include the amount of income, frequency received, and the date received; or b) Documentation for self-employment. Income for a self-employed person is based on net income, computed by deducting business expenses from gross receipts. If a self-employed spouse has begun a new business and income reflected on the most recent IRS income tax forms submitted would not be relevant, the provider must submit the following documentation to support the calculation of estimated business income:

- i) Written evidence of the actual or estimated business income received from goods sold or services rendered; and,
 - ii) Written evidence of the actual or estimated business expenses incurred. Such expenses include the cost of goods purchased, rent, utilities, interest on business mortgages, supplies, repairs, depreciation, wages and salaries paid, and business taxes (not personal Federal, State, or local income taxes).
- 3) The provider's income has changed due to a change in participation in day care.

Documentation requirements: The portion of income on the most recent IRS income tax forms attributable to day care could be adjusted in accordance with the percentage change of participation in day care to calculate the provider's updated income. For example, if a provider's income was previously based on earnings for providing care to six children for the entire year and the provider added three children on January 1, representing a 50% increase, it is reasonable to assume the new earnings could be calculated by applying the increase to the previous year's earnings. (Example: previous income = \$10,000; adjusted income with 50% increase = \$15,000). However, if the provider has added several children with variable hours of care, the provider would be required to estimate the current day care income. Income for a self-employed person is based on net income, computed by deducting operating expenses from gross receipts. If a self-employed provider's change in day care participation and income reflected on the most recent IRS income tax forms submitted would not be relevant, the provider must submit the following documentation to support the calculation of estimated operating income:

- i) Written evidence of the actual or estimated business income received from day care services, including money received from parents, as well as reimbursements from the CACFP.
- ii) Written evidence of the actual or estimated operating expenses incurred, including the cost of food for meals served to children in care.

The maximum amount a provider can deduct for the cost of food for meals served to children in care is the CACFP reimbursement amount.

- 4) A new FDCH or group home provider who was either unemployed or employed in a different capacity in the prior tax year.

Documentation requirements: The portion of income on the most current IRS income tax forms attributable to the provider would not accurately reflect current provider income. However, the portion relating to other household members could be used to verify other household members' income.

Categorical Eligibility

A provider may be categorically eligible and qualify for Tier I reimbursement by demonstrating receipt of benefits from Temporary Assistance or SNAP. The “expanded” categorical eligibility criteria do not apply to the determination of Tier I status for a provider or the provider’s own children in Tier I homes.

Documentation requirements (to support IEF) for Categorical Eligibility:

The SO must obtain a current “Notice of Eligibility” for the Temporary Assistance or SNAP programs or award letters from the associated governmental agencies that establish the household’s eligibility for such benefits.

An identification card for such programs must include the certification period and identify the expiration date to qualify as verification of eligibility.

The SO may also submit the name and case number on an IEF to the appropriate agency to request verification (for the most recent month available) of the provider’s categorical eligibility.

The SO must track the expiration date of benefits and document, date, and sign the supporting written documentation for the above verification methods for categorical eligibility.

Tier II FDCHs and Group Homes

An FDCH or group home that does not meet the criteria for Tier I reimbursement is classified as a Tier II home. This means the provider is not eligible on the basis of school data, census data, provider household income, or categorical eligibility. Tier II homes are reimbursed at the lower Tier II rates and are not subject to the Income Eligibility Guidelines (IEG). Neither the provider nor the children in child care must submit income verification, categorical eligibility verification, or an Income Eligibility Form (IEF).

Tier II homes can receive Tier I rates for children enrolled in their care whose households meet IEG. If the provider chooses this option, they become a Mixed Tier II home and are reimbursed at the higher Tier I rates for children whose household income meets eligibility criteria or for children who are categorically eligible. Reimbursement at the lower Tier II rates is received for the other enrolled children who are not eligible based on household income or categorical eligibility. However, providers have specific documentation and confidentiality requirements for children reimbursed at the higher Tier I rates.

Refer to the section below for information on Mixed Tier II homes.

Mixed Tier II FDCHs and Group Homes

Tier II homes that receive a combination of Tier I and Tier II reimbursement rates are considered Mixed Tier II homes. Providers receive the higher Tier I reimbursement rates for meals served to children who are eligible per the Income Eligibility Guidelines (IEG) based on household income, categorical eligibility, or “expanded” categorical eligibility. To meet the “expanded” categorical eligibility, the household participates in or is subsidized under a federally or state-supported family day care or other benefit program with an income eligibility limit that does not exceed 185 percent of federal income poverty guidelines.

Income Eligibility:

SOs must ensure the following for children in Mixed Tier II homes (who are eligible based on household income) before reimbursing the provider for those meals at Tier I reimbursement rates:

- 1) Obtain an Income Eligibility Form (IEF), Form CACFP-110, completed by the individual household (parent/guardian), which lists all household members and income or indicates categorical eligibility.
- 2) Verify that information on the IEF is mathematically correct and that family size and total household income are within the current IEG.
- 3) Complete the last section of the IEF to summarize household size and income information and sign and date the form.

Categorical Eligibility:

SOs must ensure the following for children in Mixed Tier II homes who are categorically eligible before reimbursing the provider for those meals at Tier I reimbursement rates:

- 1) Obtain an IEF, Form CACFP-110, completed by the household parent or guardian indicating categorical eligibility, specific program, and case number (if applicable).
- 2) Complete the last section of the IEF to summarize categorical eligibility and sign and date the form.

Exception: Authorization letters from the Office of Childhood for children receiving child care subsidy monies (state-paid child care) may be used instead of a completed IEF.

Verification of income eligibility or categorical eligibility information with outside sources and/or external documentation is not necessary for children in Mixed Tier II homes, as required for Tier I provider eligibility.

Confidentiality of Information

The SO must maintain the confidentiality of household income, size, and receipt of Federal or State benefits submitted by individual households and shall not make such information available to providers. The SO may inform the provider of the number of children receiving Tier I rates but shall not provide the children's names. This information shall only be made available to persons directly connected with the administration or monitoring of the CACFP.

Distribution and Return of Income Eligibility Forms (IEFs)

The SO must notify Tier II family day care home (FDCH) and group home providers of the opportunity to obtain individual household income information or categorical eligibility information from parents and guardians to determine each enrolled child's eligibility for Tier I rates. The SO may choose to send out and collect the income/categorical information for enrolled children, or the SO may allow Tier II home providers in the CACFP to assist in transmitting household income information from families of enrolled children to their sponsors.

Under Section 333 of the Healthy, Hunger-Free Kids Act of 2010, Tier II home providers now have specific authority to collect the household income eligibility forms from households and transmit them to their sponsors. However, if Tier II home providers wish to collect and transmit household information, they or the sponsors must ensure that each household knows:

- The household is not required to complete the income eligibility form for their children to participate in CACFP; and
- Households have the option if they choose to complete the income eligibility form to either return the form directly to the sponsor at the address indicated on the form or return the form to the provider with written consent, allowing the provider to collect the form and transmit it to the sponsor on the household's behalf.

If the provider receives an authorization letter directly from OOC that indicates the enrolled child's eligibility for day care subsidy and the authorization begin and end dates, a copy of the authorization letter may substitute for the IEF and may come directly from the day care provider to the SO.

It is not necessary to distribute IEFs to the households of enrolled children that the SO and/or day care provider determines to be eligible for Tier I meals through the child's or household's participation in or receipt of benefits under the state child care subsidy offered through the OOC. Meals served to these children are automatically eligible for Tier I rates subject to receipt of the authorization letter with effective dates of eligibility.

The SO must annually review and document the income or categorical eligibility of individual households of enrolled children for the provider to continue to receive Tier I rates for those children.

Information Required on the Income Eligibility Form (IEF)-Form CACFP-110

SOs must obtain an IEF to reimburse mixed Tier II providers for meals served to children living in households eligible for Tier I reimbursement rates based on household income or categorical eligibility. The following information must be provided on the forms:

Eligible Per Household Income:

- Part 1 - The names and birthdates of the applying household's children enrolled in the FDCH or group home.
- Part 2 - The names –and the total income received by each member of the household and the source of that income. NOTE: Refer to Determination of Individual/Household Income for guidance in the definition of "household" and the definition and calculation of "income."
- Part 4 – The signature, the last four digits of the social security number, and the date of the adult household member who signs the application or indicates that they do not possess a social security number.

Categorical Eligibility:

- Part 1 - The names and birthdates of the applying household's children enrolled in the FDCH or group home.
- Part 1 - The Supplemental Nutrition Assistance Program (SNAP or the Temporary Assistance for Needy Families (TANF) case numbers) or other qualifying state or federal program (expanded categorical program) names and case numbers (if applicable) for children who are categorically eligible based upon the household's receipt of program benefits.
- Part 4 – The signature and date of the adult household member who completes the application.

The SO's determination of an individual child's eligibility for Tier I rates in a Tier II mixed home is good for one year, or until program benefits expire, in the case of categorical and expanded categorical eligibility.

Provider's Own Children

The term "provider's own children" refers to all children who reside in the home or reside with the actual provider and are part of the economic unit, i.e., provider's own birth children, adopted children, children who reside in the home without legal placement, and foster children. All children residing in the home are considered part of the economic unit and are considered members of the household for purposes of Tier I eligibility. Since an FDHC or group home may qualify for Tier I reimbursement rates on the basis of household income eligibility, by definition, a Tier II provider cannot be reimbursed for meals served to his/her own children.

The three following criteria must be met before reimbursing providers for meals served to their own children:

- The children are enrolled and participating in the family day care program during the time of meal service, during normal operating hours, and the provider (parent) is present.
- Other enrolled nonresidential children are present and participating in the same meal service.
- The SO has an effective IEF, Form CACFP-101, demonstrating the provider is eligible for Tier I rates on the basis of household income or categorical eligibility.

SOs must obtain Form CACFP-101 to reimburse Tier I providers for meals served to their own children who qualify for Tier I rates on the basis of school or census data. The "expanded" categorical eligibility does not apply to the determination of Tier I status for a provider or the provider's own children in Tier I FDHCs or group homes.

The following example addresses the impact on meal reimbursement when an individual not living in the home provides child care. When an FDHC is licensed by Individual A, who hires Individual B to provide child care in Individual A's home, Individual B's children would be considered the provider's own and would be eligible for meal reimbursement if other eligible children were also enrolled and participating in the same meal service even though they live outside the home. However, the presence of Individual A's children would not qualify as "other children enrolled and participating in the meal service" because these children are residential. In addition, Individual A's children would not be considered the provider's own, even though they are residential, and would not be eligible for meal reimbursement at any time. Additional guidance on absent providers is provided in this chapter.

Determination of Individual Household Income

SOs must compare the total household income and household size information provided on the CACFP Form-110 or CACFP Form-101 to the Income Eligibility Guidelines (IEG) to determine Tier I eligibility. SOs must not provide the IEG information to individual households or to providers.

Household Size

A household is defined as a group of individuals, related or non-related, who are not residents of an institution or a boarding house but live as one economic unit. Members of an economic unit would share its members' housing, income, and expenses.

Children who are subject to joint custody change residences periodically. In these cases, the child is considered a member of the household in which they reside. Therefore, the child's eligibility could change periodically, depending on the rotating time periods, the number of household members, and the income of each household. The percentage of time that a child lives with a provider must be documented.

Families living apart temporarily are considered household members, i.e., children attending college. However, family members living apart on an extended basis are not regarded as members of the household. The determining factor is whether the living arrangement is "temporary."

Whether or not they contribute a portion of their income to assist with expenses, older children or household members who remain in the home are considered members of the household and part of the economic unit. In most of these cases, these children are paying only a token amount for room and board and are not economically independent and, therefore, not considered emancipated.

In unusual instances, if a child contributes to the household expenses to the extent of prorating most household expenses, and there is specific, documented evidence to indicate the detailed calculations as well as receipts of such contributions, the child could be considered a household of one and would not be considered part of the economic unit. However, this situation would entail specific prorating of most household expenses and the child's actual payment of their portion, as calculated, and would be extremely uncommon.

The number of exemptions reported on Income Tax Form 1040 should match the total household members reported on the IEF. If the numbers are different, the number of exemptions reported on Income Tax Form 1040 must be used to indicate the number of total household members. In rare circumstances, an exception could be allowed to the extent the SO has specific, documented evidence to indicate percentages of time and days of the year the child resides in the provider's home. The documentation must support that the child resides with the provider more than 50% of the year to qualify for Tier I meal reimbursement.

Household Income

Income is defined as any money received on a recurring basis, including gross earned income. Gross earned income refers to all money earned before deductions, such as income taxes, employee's social security taxes, insurance premiums, bonds, etc. Income includes the household's gross earnings (wages, salaries, tips, commissions), net income from self-owned businesses, Temporary Assistance (TA) benefits or other public assistance payments, pension, alimony and child support payments, military benefits received in cash, such as housing allowances for households living off-base in the general commercial/private real estate market and food or clothing allowances, unemployment compensation, social security, supplemental security income, veteran's payments, annuities, disability benefits, contributions from persons not living in the household, additional cash received or withdrawn from any other sources, including savings, investments, trust accounts and other resources and any other money that may be available to the family.

Any money received for alimony or child support payments must be included as income. However, money paid out for alimony and/or child support may not be deducted to calculate income.

Children who are not the provider's biological or adopted children but who live in the home without formal legal placement are considered household members and part of the economic unit, and any income received on their behalf would be included in the total household income. Foster care payments received by the family from the placing agency are not considered income and do not need to be reported.

Adopted children are considered household members and part of the economic unit since the household has accepted legal responsibility for the child. Likewise, any income received on their behalf would be included in total household income.

Families living apart on a “temporary” basis are considered household members and part of the economic unit. Likewise, any income received on their behalf would be included in total household income, including income that college students earn from part-time jobs. Any income on behalf of older children or other household members who remain in the home and are considered members of the household and part of the economic unit would be included in total household income.

Any money deducted for garnished wages or money ordered to be used in a specified manner, for example, due to bankruptcy, must be considered income and cannot be deducted when calculating household income. The gross earnings amount is appropriate to apply, regardless of the portions garnished or paid to creditors.

Business losses cannot be deducted to reduce income, as is allowable per the IRS. A business loss is considered a net income of \$0 when calculating income for CACFP eligibility purposes. Furthermore, if there are multiple businesses involved, the net loss(s) of one business cannot be netted against the net income(s) of another business(es) to derive a lesser total net income figure for all businesses. The net income from each business indicated on Schedule C, Line 31, or Schedule F must be added to derive the total net income attributable to self-employment. If this amount on either Schedule C or Schedule F is less than \$0 on any individual Schedule C or Schedule F, the appropriate amount to include in the calculation of total net income is \$0. This means that the amount on IRS Income Tax Form 1040, Line 22, cannot be used to derive total income because that amount includes any business losses that might have occurred. Instead, the amount on Line 22 provides a basis from which adjustments can be made to derive total household income.

After calculating the total net income amount attributable to self-employment based on a review of all individual Schedule Cs and Schedule Fs comprising Form 1040, adjustments can be made to the amount on Line 22 of IRS Income Tax Form 1040. However, if no net business losses resulted from self-employment, the amount on Line 22 of Form 1040 could be used to calculate total household income. However, this amount may not be the final total household income figure due to many other items, as noted above, that are included in the definition of income and, therefore, may need to be included in the calculation.

The amount reported on Line 34 of IRS Income Tax Form 1040, Adjusted Gross Income for IRS tax purposes, is different from the appropriate number to use in the calculation of income. This amount represents deductions not allowed per CACFP for household income calculation. Specifically, an example is one-half of the self-employment tax on Line 28, which is not deductible per CACFP. The social security tax for a self-employed individual represents the portion attributable to both the employee and the employer, and a self-employed individual would be considered both the employer and the employee. Therefore, since an employee’s social security tax is not an exclusion in the calculation of income per CACFP, this amount reported on Line 28 would not be deducted to derive total household income per CACFP.

Income items that are excluded in the calculation to determine a household’s eligibility for Tier I rates include:

- 1) Student financial assistance, such as grants and scholarships;
- 2) Bank loans, since these are only temporary funds and must be repaid;
- 3) Military on-base housing or military “privatized housing” (does not include military households living off-base in a general commercial/private real estate market);
- 4) SNAP benefits;
- 5) Occasional earnings received irregularly, such as payment for babysitting or lawn mowing. However, the key determinant is whether the payment is on a “recurring” basis. If lawn mowing or babysitting activities occur regularly, i.e., a child’s part-time or summer job, it would be considered income and included in the calculation of household income. Additionally, earnings by teenagers with part-time jobs at food establishments, retail businesses, etc., are considered income, even though the teenager may consider the money earned as their own “pocket money.”

Absent Providers

The individual providing actual child care services is considered the provider. Therefore, the CACFP does not recognize or enter into agreements with corporate entities as FDCHs, group homes, or providers. No portion of the agreement can be taken with a corporation/incorporated provider or business. The following example addresses the impact on meal reimbursement when an individual is providing child care in another person's home.

When an FDCH or group home is licensed by Individual A, who hires Individual B to provide child care in Individual A's home, Individual B is considered the "provider" since they care for the children and serve the reimbursable meals. Likewise, Individual B is the appropriate person to sign the agreement with the SO and to receive the reimbursement. The income of Individual B is the appropriate one to evaluate if Tiering must be established based on household income. However, if Tiering can be established based on school data, Individual A's home is the appropriate one to consider. For purposes of provider's own, Individual A's children are residential but are not "provider's own" and, therefore, would not be eligible for meal reimbursement.

On the other hand, even though Individual B's children live outside the home, they would be considered the provider's own. They would be eligible for meal reimbursement if other eligible children are also enrolled and participating in the same meal service, and Individual B is income-eligible. However, the attendance of Individual A's children would not qualify as "other children enrolled and participating in the meal service" to support reimbursement to Individual B for the provider's own because these children are residential and ineligible for meal reimbursement. If a third individual is a partner of Individual A, whose home was neither the location of care nor who was the caregiver or licensee, then their nonresidential children could be enrolled in child care and claimed for reimbursement.

Note: This scenario conflicts with state licensing rules, which state that the licensee must provide care at least 40 hours per week. This scenario demonstrates the "absent provider's" children's ineligibility for CACFP. State licensing rules supersede federal regulations in this situation.

Effective Dates and Duration of IEFs

For new providers entering CACFP or those changing from a Tier II to a Tier I classification, family day care home (FDCH) sponsors have flexibility concerning the effective date of certification for Program benefits (the effective date of Income Eligibility Forms (IEF)). The date to make this determination may be the date the parent or guardian signed the income eligibility form or the date on which the sponsor officially signs the form to certify the child's eligibility. However, if the date of the parent signature is not within the month of certification or the immediately preceding month, the effective date must be the date of certification. Sponsors must decide which date they will rely on as the effective date and apply this date consistently to all income eligibility forms received.

The IEF for each child is effective for one year. IEFs should be considered current and valid until the last day of the month in which the form was dated one year earlier. Each year, the parent or guardian must complete a new IEF. For example, if a sponsor certifies an IEF on July 15, the effective date of that IEF is July 1, and the expiration date is July 31 of the next year.

Change in Income

Households are not required to report changes in circumstances, such as an increase in income, a decrease in household size, or when the household is no longer certified eligible for benefits through the Supplemental Nutrition Assistance Program (SNAP) or Temporary Assistance (formerly known as TANF).

Previously, temporary approval was encouraged when the need for assistance seemed short-term, such as when a household experienced a temporary reduction in income or when no income was reported. Year-long eligibility did not apply when a household was given temporary approval. At the end of the temporary approval period, determining officials re-evaluated the household's situation. Now, all approvals are for an entire year. Year-long eligibility includes households that report no income on their income eligibility forms.

Categorical Eligible Programs

The programs on this list have been determined to have income standards equal to or below the limits established for Tier I rates for this program (185% federal poverty level).

CATEGORICAL ELIGIBLE PROGRAMS

- Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamp Program).
- Temporary Assistance (formerly known as TANF).

EXPANDED CATEGORICAL ELIGIBLE PROGRAMS

- Certified eligible for free or reduced-price meals in the National School Lunch, School Breakfast Program, and School Milk Program.
- WIC Special Supplement Nutrition Program for Women, Infants, and Children.
- Head Start participants enrolled on the basis of the determination that the family meets the Head Start program's low-income criteria.
- Child Care Subsidy Program (DSS-FSD paid children).

Enrollment in these programs may automatically qualify a child for Tier 1 meal eligibility. An IEF should be on file for each child enrolled under these programs, with the exception of FSD-paid children, who must have a copy of their FSD authorization form on file.

Note: Case identification numbers are required when applicable.

Sponsoring organizations (SOs) are required to provide annually, at a time specified by MDHSS-CFNA, a list of FDCHs or group homes claiming eligibility for Tier I reimbursement on the basis of the provider's participation in the Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamp Program). MDHSS-CFNA, in turn, is required to pass this list to the Missouri Department of Social Services, the state agency administering the SNAP.

The list must include:

- Providers living outside Tier I eligible areas who claim eligibility for Tier I reimbursement for all children in care based on the provider's SNAP eligibility; and
- Providers in eligible areas who have established their own child(ren)'s eligibility for Tier I reimbursement based on the household's receipt of SNAP benefits.

Source: 7CFR 226.23 (e) (1)

Press Release

Each year, MDHSS-CFNA will provide information media (television, radio, or newspaper) serving the area where the institution draws its attendance with a public release. All public releases shall announce that the FDCHs and group homes that participate in the Child and Adult Care Food Program provide nutritious meals and staff oversight with access to nutrition-related training, technical assistance, and monitoring from the Department of Health and Senior Services, without regard to race, color, national origin, sex, age, or disability. To file a complaint of discrimination, write USDA, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or fax (833) 256-1665 or (202) 690-7442; or email Program.Intake@usda.gov.

The SO's must keep a copy of the press release in its files.

Categorical Eligible –Foster Children

Section 102 of the Healthy Hunger-Free Kids Act amends the Richard B Russell National School Lunch Act to provide categorical eligibility for free meals to any foster child whose care and placement is the responsibility of the state or who is placed by a court with a caretaker household, without further application. In addition, this provision allows certification of a foster child for free meals, without application, if the child care institution or facility obtains documentation from an appropriate state or local agency indicating the status of the child as a foster child whose care and placement is the responsibility of the state or that the foster child has been placed with a caretaker household by a court.

It is important to note that these provisions only apply to foster children formally placed by a state child welfare agency or a court. They do not apply to informal arrangements that may exist outside of state or court-based systems.

Households with foster and non-foster children may choose to include the foster child as a household member and any personal income earned by the foster child on the same household application that includes their non-foster children. This will streamline the application process and may help the foster family's non-foster children qualify for free or reduced-price meals based on household size and income.

In processing the application, certify the foster child for free meals and then make an eligibility determination for the remainder of the household based on the household's income (including personal income earned by the foster child) or other categorical eligibility information reported on the application. Foster payments received by the family from the placing agency are not considered income and do not need to be reported.

The presence of a foster child in the household does not convey eligibility for free meals to all children in the household in the same manner as the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance (formerly known as TANF) does.

Geographic Areas Covered by Census Data

Child and Adult Care Food Program (CACFP) family day care homes (FDCHs) and group homes located in a Census Block Group (CBG) or Census Tract in which 50 percent or more of the children are eligible for free or reduced-price school meals are considered area-eligible for a period of five years. CACFP FDCHs and group homes are considered area-eligible if located in a CBG or Census Tract that qualifies under either CACFP.

Occasionally, a potential CACFP FDCH or group home is determined not to be area-eligible but immediately adjacent to an eligible area. This suggests that children in eligible census block groups may be served by and benefit from a CACFP FDCH or group home located in a neighboring census group in close proximity.

Based on analysis of the proposed location and with state agency approval, up to three adjacent CBGs may be averaged, using a weighted average, to determine eligibility. In such a case, CACFP FDCHs and group homes are considered area eligible if the percentage of children eligible for free or reduced-price meals in the “referent” CBG and up to two additional adjacent CBGs, when averaged, is 50 percent or more, provided that at least 40 percent of children in each of the individual CBGs are eligible for free or reduced price meals. Census Tracts may not be combined. The Department of Health and Senior Services (DHSS) must also review and approve weighted average calculations.

FDCH Sponsors and state agencies must consider the following before approving a home or a site to be area eligibility using weighted averages:

- The calculation has three or fewer CBGs, including the “referent” CBG where the site or facility is located.
- All CBGs in the calculation have at least 40% of children eligible for free or reduced-price meals.
- All CBGs in the calculation are adjacent to the “referent” block group where the site/home is located.
- The calculation uses the same age groups (i.e., 0-12 or 0-18 year-olds) across CBGs.
- Make sure calculations are done correctly:
 - Do use weighted averages.
 - Add numerators of each CBG.
 - Add denominators of each CBG.
 - Divide the sum of numerators and the sum of denominators.
 - Do not average the percentages of free or reduced-price meals in each CBG.

EXAMPLE

ADDRESS:				
CBG GEOID	Numerator (Num12Pov)	Denominator (Total12inBG)	Percentage (Numerator/Denominator) x 100% *must be at least 40%	
290190019023	220	490	x 100%	44.90%
290190015033	240	430	x 100%	55.82%
290190019022	400	725	x 100%	55.17%
Total	Sum of Numerators (500+230+315)	Sum of Denominators (1025+270+620)	Weighted average percent = (Sum of Numerators)/(Sum of Denominators) x 100%	
	860	1645	x 100%	52.28%

ADDRESS:				
CBG GEOID	Numerator (Num12Pov)	Denominator (Total12inBG)	Percentage (Numerator/Denominator) x 100% *must be at least 40%	
			x 100%	
			x 100%	
			x 100%	
Total	Sum of Numerators (500+230+315)	Sum of Denominators (1025+270+620)	Weighted average percent = (Sum of Numerators)/(Sum of Denominators) x 100%	
			x 100%	