

**STATE ADMINISTRATIVE EXPENSE (SAE) FUNDS**  
**JUSTIFICATION FOR APPROVAL OF INFORMATION COLLECTION**  
**REPORTING AND RECORDKEEPING REQUIREMENTS**  
**REGULATIONS – 7 CFR PART 235**  
**OMB CLEARANCE NUMBER 0584-0067**

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## **A. JUSTIFICATION**

### **1. Circumstances that make the collection of information necessary.**

Under the authority of State Administrative Expense (SAE) Funds regulations (7 CFR Part 235) that necessitate the collection of information, SAE Funds is administered by U.S. Department of Agriculture (USDA), Food and Nutrition Service (FNS).

The purpose of this collection is to provide each State agency with funds for its administrative expenses in supervising and giving technical assistance to local schools, school districts and institutions in their conduct of Child Nutrition Programs. State agencies that administer the distribution of USDA donated commodities to schools or child or adult care institutions are also provided with State Administrative Expense (SAE) funds.

### **2. Purpose and use of information.**

The respondent universe for reporting consists of the State educational agencies and alternate SAs that have executed agreements with FNS for the administration of the NSLP, SBP, SMP, CACFP and Food Distribution Program (FDP) in schools or some combination thereof.

SAE Plan. FNS requests each SA to report the following information:

Each State shall submit to the Secretary for approval by October 1 of the initial fiscal year a plan for the use of State administrative expense funds including a staff formula

for State personnel, system level supervisory and operating personnel, and school level personnel.

After submitting the initial plan, a State shall be required to submit to the Secretary for approval only a substantive change in the plan.

Food and Nutrition Service Regional Office's (FNSROs) use this information to determine whether:

1. The SA intends to use SAE funds for purposes allowable under OMB Circular A-87, Cost Principles for State and Local Governments.
2. The SA's administrative budget provides for sufficient funding from State sources to meet the Maintenance of Effort (MOE) requirement. Subsection 7(f) of the CNA requires FNS to pay SAE funds "only to States that agree to maintain a level of funding out of State revenues, for administrative costs in connection with programs under this Act and the National School Lunch Act, not less than the amount expended or obligated in Fiscal Year 1977."
3. The SA's staff is adequate to effectively administer the programs covered by the SA's agreement with FNS.

Reallocation Report. All SAs are requested to complete Reallocation Report (FNS-525, OMB No. 0584-0067) to indicate their intentions for the reallocation. Since participation in a SAE reallocation is voluntary, the SA may elect not to participate; to return SAE funds it cannot use; or to request additional funds. The items requested therein comprise the minimum information FNS needs to conduct the reallocation.

Coordinated Review Effort (CRE) Data Base Update. Collecting data on CRE workload indicators is necessary to perform the formula allocation of SAE funds. FNS routinely collects State totals of free and reduced-price lunches served on Form FNS-10, Report of School Program Operations (OMB No. 0584-0002). However,

FNS does not routinely collect data on SFAs. The SFA is the legal entity, operating one or more attendance units, with the authority to execute an agreement with the SA for the operation of the NSLP in one or more of its attendance units. Once each year, FNS asks each SA how many SFAs it has under agreement to operate the NSLP, and how many of these meet the definition of “large” SFAs. FNS usually collects this information by providing each SA with the SFA figures used the prior year and requesting the SA to update them.

Reports on SAE Funds Usage. SAs administering the NSLP, SBP, SMP, and/or the CACFP report quarterly on their use of SAE funds via the FNS-777, Financial Status Report in lieu of SF-269. The requested information includes the amount of SAE funds obligated and expended to date. FNS uses this information to determine its financial liability to the SA for the fiscal year in which the reported obligations and expenditures were incurred. In addition, the final report for each fiscal year serves as the basis for closing out that year’s Letter-of-Credit. State Distributing Agencies (SDAs) receiving their SAE funds by U.S. Treasury Check submit one final report on SAE funds usage at the end of each fiscal year.

Responses to Sanctions. Upon notification of the FNSRO’s intent to impose sanctions, the SA is required to submit a plan for correction of the deficiencies that induced the FNSRO to take such action. The FNSRO may defer sanctioning the SA’s SAE grant if it finds the corrective action plan acceptable and the SA implements it on schedule. The regulations provide procedures for use by SAs aggrieved by sanctions in appealing the FNSRO’s action.

The respondent universe for recordkeeping requirements consists of the State educational agencies, alternate SAs and SDAs that have executed agreements with FNS for the administration of the NSLP, SBP, SMP, CACFP, FDP in schools, or some combination thereof.

Accounting Records. The SAs accounting records must demonstrate control over the receipt, custody and disbursement of SAE funds. Source documents supporting the obligation and expenditure of SAE funds must be maintained by the SAs, including time and attendance reports on State staffers paid from SAE funds; travel vouchers; requisitions for supplies and services from State support units (such as the use of State cars, printing, postage, office supplies, telephone, utilities, etc.); and suppliers' invoices for merchandise (such as office machines) delivered to the SA. These records provide the basis for determining the amounts of SAE funds the SA reports as obligated and expended in the financial reports submitted to FNS.

Equipment Records. SAs are required to maintain records on "nonexpendable personal property" as defined in 7 CFR Part 3016.32 - Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, equipment to permit allowable disposition of the property in accordance with Federal rules.

Records of State Appropriated Funds. The SAs records must demonstrate compliance with 235.11(a) MOE. SAs account for SAE funds according to their own

accounting policies and procedures. The accounting records they maintain on funds from State sources are the same as those that they maintain on SAE funds. They generally control State appropriated funds through a separate set of accounts from those used to control the receipt and disbursement of SAE funds.

The Federal-State Agreement. The Federal-State Agreement, FNS-74, is the agreement between USDA and the administering State agency. It delineates the legislative authority, regulatory, Civil Rights and Equal Employment Opportunity responsibilities, and the general terms and conditions for the administration of the programs. 7 C.F.R. Part 250.12, makes the agreement between the Department and State educational agencies and alternate SAs administering the food distribution program permanent, with amendments to be made as needed.

### **3. Use of information technology and burden reduction.**

In accordance with the E-Government Act of 2002, FNS has reviewed the process for collecting information via Forms FNS-525, FNS-10, FNS-777 and FNS-74. FNS encourages its State agency partners to offer electronic submission to participants whenever it is feasible.

FNS currently provides State agencies with the SAE requirements in a fillable format for State agency submissions. Additionally, the agency uses electronic transfer of funds to permit SAs to withdraw cash.

In managing the funds for its grants programs, FNS utilizes a centralized financial management system called the Integrated Program Accounting System (IPAS). The IPAS receives and shares the financial data for FNS' grant programs through automated interfaces with other USDA and non-USDA automated systems.

The IPAS allows regional offices to electronically transfer funds through the electronic letter of credit to SAs. It also allows financial management to monitor all withdrawals' of funds.

The SAE information collected or maintained on file pertains to transactions between the grantor agency and each individual grantee. This information involves requests for SAE funds and reports on the use of SAE funds already received. Such information can only be used on a transaction-by-transaction basis.

**4. Describe efforts to identify duplication.**

There are no similar data collection efforts.

**5. Impacts on small businesses or other small entities.**

This collection of information does not involve small businesses or other small entities.

**6. Consequences of collecting information less frequently.**

The information is collected for the purpose of administering an ongoing program. Each reporting requirement has its own frequency. All information is collected on a fiscal year basis because SAE funds are appropriated and made available to state

agencies on a fiscal year basis. The Federal-State Agreement for NSLP, SBP, SMP, CACFP, SFSP and SAE authorizes apportionment of funds on a fiscal year basis. Without the approval of this collection FNS would not be able to monitor the State Administrative Expense Funds in accordance to 7 C.F.R. Part 235.

**7. Special circumstances relating to the guideline of 5 CFR 1320.6.**

There are no special circumstances that require the collection to be conducted in a manner inconsistent with the guidelines in 5 CFR 1320.

**8. Comments in response to the Federal Register Notice and efforts to consult outside agency**

The notice was published in the Federal Register on June 4, 2008 in Vol. 73, No. 108, pages 31810-31811. No comments were received.

Persons outside the Agency with whom FNS obtained material and their views on this information collection every three years include Ronald W. Hill, Assistant General Counsel, USDA, Office of the General Counsel (OGC), Food and Nutrition Division.

**9. Explain of any payment or gift to respondents.**

No payment or gift is provided to respondents.

**10. Assurance of confidentiality provided to respondents.**

The Department will comply with the Privacy Act of 1974.

**11. Justification for sensitive questions.**

There are no questions of a sensitive nature included in this clearance.

**12. Provide estimates of the hour of the collection of information.**



To estimate the reporting and recordkeeping burdens of Part 235, FNS took into account the fact that the Child Nutrition Programs are state administered programs and that each state agency establishes its own procedures for administering them. Therefore, we limited our analysis to the identification of fundamental tasks that would be required in any State management system.

We then estimated the frequency with which state agencies perform each task and the amount of time they spend doing so.

The respondent universe consists of the State educational agencies and alternate state agencies that have executed agreements with FNS for the administration of the National School Lunch Program (NSLP), School Breakfast Program (SBP), Special Milk Program (SMP), Child and Adult Care Food Program (CACFP), Food Distribution Program (FDP) or some combination thereof. FNS determined the number of respondents by counting agreements for Fiscal Year 2007. Our count produced the following results:

**A.12.1 REPORTING** – This submission decreases the reporting burden hours to 1668 hours.

**Affected Public: State Agencies, Alternate SA, State Distributing Agencies, State Educational Agencies, schools and nonprofit institutions.**

Respondent Type	Section of Regulations	Title	Form Number	Estimated # of Respondents	Frequency of Response	Total Annual Responses (Col. Dx E)	Average Burden Hours per Response	Estimated Total Burden Hours (Col. Fx G)
Grantee		Reporting						
	235.7(b)	CRE Data		57	1	57	1	57
		Base Update						
	235.5(b)	SAE Plan		30	1	30	8	240

235.5(d)	Reallocation Report	FNS-525	23	1	23	12	276
			65	1	65	0.5	32.5
235.7(b)	Financial Report on Use of SAE Funds	FNS-777	87	4	348	.5	174
235.3(b)	Federal-State Agreement	FNS-74	75	1	75	0.25	18.75
<b>Reporting Total</b>			<b>87</b>		<b>598</b>		<b>798</b>

**A.12.2 RECORDKEEPING** – This submission decreases the recordkeeping burden hours to 13,114.

**Affected Public:** State Agencies, Alternate SA, State Distributing Agencies, State Educational Agencies, schools and non-profit institutions.

Respondent Type	Section of Regulations	Description of Activities	Form Number	Estimated # of Respondents	Frequency of Response	Total Annual Responses (Col. Dx E)	Average Burden Hour per Response
<b>Recordkeeping</b>							
Grantee	235.7(a)	The SA shall maintain current accounting records of SAE funds which shall adequately identify obligations, fund authorizations, unobligated balances, assets, liabilities, outlay, and income.		87	104	9048	1
				23	52	1196	2
	235.9(c)(d)	The SA property mgmt. standards for nonexpendable personal property shall include the following procedural requirements.		87	0.5	43.5	3
	235.11(a)	Documentation that funding from State sources in any fiscal year for the administration of CNP is not less than that expended or obligated in FY 77		54	52	2808	0.5
	235.4	Documenting the obligation and expenditures of SAE funds carried over into the subsequent fiscal year.		67	1	67	2
	235.7(a)	The Federal-State Agreement must be kept for three years.	FNS-74	75	1	75	0.083

	<b>Recordkeeping Total</b>						<b>13,237.50</b>
	<b>Reporting Burden</b>		87				<b>598.00</b>
	<b>Recordkeeping Burden</b>		87				<b>13,237.50</b>
	<b>Total</b>		<b>87</b>				<b>13,835.50</b>

**A.12.3 PUBLIC COST**

To estimate public cost, FNS consulted with the U.S. Department of Labor’s 1998 National Compensation Survey. The average hourly rate of State and local government employees, along with private sector employees is \$17.61. FNS assumed that an appropriate portion of state level cost would be funded under the State Administrative Expense (SAE) Program (7 CFR Part 235). During the most recent fiscal year for which FNS have data on SA expenditure of both SAE and State appropriated funds, State agencies funded a percent from State sources.

Type of Respondent	Type of Instruments	Average Response Time per Response	Number of Respondents	Frequency of Response	Hourly Wages Rate	Response Cost
Grantee	FNS-525	12.50	88	1	\$17.61	\$19,371
	FNS-777	.5	87	4	\$17.61	\$3,064
	FNS-74	0.33	75	2	\$17.61	\$871
<b>Total Annualized Cost to Respondent</b>			88			\$23,306

**13. Estimate of other total annual cost burden to respondents or record keepers.**

There are no capital/start-up or ongoing operation/annual maintenance costs associated with this collection of information.

**14. Annualized cost to the Federal government.**

FNS identified functions performed by FNSRO and Headquarters staff related to the SAE program and obtained estimates of the number of staff hours spent performing these functions. The estimated number of staff hours spent in a typical year dealing with SAE matters is 6,226.

Using the Federal Salary Table for fiscal year 2008, the computations are presented below:

	<u>FEDERAL SALARIES</u>
Salaries	\$180,554 (6,226 staff hours X \$29/hour = \$180,554)
Federal Cost	\$180,554

**15. Explanation for program changes or adjustments.**

There is a decrease of 881 reporting hours and a decrease of 106 recordkeeping hours. The decrease is due to the loss and gain of respondents. In addition, an error was made in the last submission on the burden hours to complete the SF-269 and the hours were adjusted downward from 3 hours to one half hour. FNS-777 will now take the place of SF-269.

**16. Plans for plans tabulation and publication and project time schedule.**

This collection request does not involve statistical methods, and there are no plans to publish the results of this collection for statistical use.

**17. Reasons that display expiration date would be inappropriate.**

The agency is seeking approval not to display the expiration date on the forms included in this clearance. To display the expiration date would mean destroying the

entire supply of forms currently being used, even when there are not changes in the data elements of the forms.

**18. Exception to certification for Paperwork Reduction Act Submissions.**

There are no exceptions to the certification statement.