



# COMMONWEALTH of VIRGINIA

DEPARTMENT OF EDUCATION

P.O. Box 2120

Richmond, Virginia 23218-2120

SNP Memo #07-08-04

To: Directors, Supervisors, and Contact Persons  
School Nutrition Programs

From: Lynne A. Fellin, Acting Director  
School Nutrition Programs 

Date: August 29, 2007

SUBJECT: Free and Reduced Price Eligibility Income Calculation Errors Using Certain Software

Effective at the beginning of the 2006-2007 school year, USDA and VDOE required school divisions to make free and reduced price eligibility determinations based on annualized income when the household reported more than one income frequency.

Recently a few school divisions have reported problems with getting commercial software programmed to correctly calculate income for households with only one income or one income frequency. Incorrect household income conversions are significant since they can make the difference in the eligibility category of a student.

Apply the following test to determine if your application approval software is correctly calculating income eligibility: Enter a household with three family members and one source of income, \$1861 per month. The software should determine this household eligible for free meals.

If the "test household" is not free, the software is incorrectly calculating income when one source income is reported, or when all income reported is the same frequency (i.e. weekly, bi-weekly, twice monthly, monthly). You must immediately contact your software company to correct the income calculation formulas. It is the responsibility of the school division to assure that the software calculations and eligibility determinations are correct.

Please refer to the guidance for household income calculation requirements that follows. This guidance was previously provided in Superintendent's Regulatory Memo #2, May 11, 2007:

<http://www.doe.virginia.gov/VDOE/suptsmemos/2007/reg002.html>

Free and Reduced Price Eligibility Income Determination: Many households have different sources of income at different frequencies, such as weekly wages and monthly social security benefits.

IEG=Income Eligibility Guidelines

- If a household has only one income source, or if all sources are the same frequency, **do not use conversion factors**. Compare the income, or the sum of the incomes, to the published IEG for the appropriate frequency and household size to make the eligibility determination.
- If a household reports income sources at more than one frequency, the preferred method is to annualize all income by multiplying weekly income by 52, income received every two weeks by 26, income received twice a month by 24, and income received monthly by 12. Do not round the values resulting from each conversion. Sum all of the converted values, without rounding, and compare the total to the published IEG for annual income for the appropriate household size.

### **Income Calculation Examples:**

Example #1:

A household of four with one income of \$2,238 per month.

- Compare the monthly income to the monthly income limits on the IEG for a household of four. **DO NOT** multiply the income by 12 to annualize the income. Correct eligibility is Free.

Example #2:

A household of five with two incomes, each is paid weekly, \$225 per week and \$310 per week.

- Add the two weekly incomes together to determine the total weekly income and compare \$535 per week to the weekly income limit for a household of five. **DO NOT** multiply the weekly income by 52 to annualize the income. Correct eligibility is Free.

Example #3:

A household of four with two incomes, one is paid weekly \$250 and one is paid monthly \$1,453.

- Multiply the weekly income of \$250 by 52 to determine the annual income of \$13,000 and multiply the monthly income by 12 to determine the annual income of \$17,436.
- Sum the total of the annual incomes, \$13,000 plus \$17,436, to determine the total annual household income, \$30,436 and compare this sum to the annual income on the IEG for a household of four. Correct eligibility is Reduced.

If there are questions please contact your assigned specialist or me at (804) 225-2074.