



south dakota
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SUBJECT: Guidance on determining farm and ranch income due to drought conditions

NSLP – 107.1
CACFP –99.1
CACFPDCH – 88.1
SMP – 10.1

TO: Authorized Representatives
FROM: Child and Adult Nutrition Services

This information should be shared with the person who approves applications for free and reduced price meals. The memo is available on the Child & Adult Nutrition Services website. Questions should be referred to a CANS staff member.

The extreme drought in a large area of South Dakota has raised concerns with the process to apply for free and reduced price meals and documentation for verification. Farmers and ranchers often use their 1040 from the prior year to demonstrate eligibility for free and reduced price meals. That would not be an accurate indicator this year for those in the drought areas as some will have no or limited income from their usual sale of grain and have had to sell off herds due to the conditions.

Families that have been approved for SNAP or TANF will be either directly certified or categorically eligible for meals or milk in the child nutrition programs as the family will be directly certified or, if they have just recently been approved, will have a case number to provide to the agency.

When farm and ranch families apply for free and reduced price meals or free milk based on income, they must include income from any outside sources. Income from other sources cannot be offset by losses in farming & ranching. The following guidance applies to determining their income from crop and livestock production and other agriculture activities. There is no one set way to do this as the situations vary. A number of suggestions are made including possible sources of documentation if these situations are on an application selected for verification. We recognize that the families often turn to the school for ideas on how to determine the income.

Refer to pages 37-46 of the green Eligibility Guidance for School Meals (light green cover, revision issued October 2011 and available online at <http://www.fns.usda.gov/cnd/Lunch/>). Remember to take the applications at face value until they have been chosen for verification. If chosen for verification, the household would then need to provide you with more specific information on how they are estimating their current monthly income. Use community partners for additional ideas, including banks, lending agencies, farm service agencies, insurance agencies, and cooperative extension service.

If quarterly estimates are not completed, the farmers and ranchers should use the best estimates of what their income currently is - whether it is outside income from farming, rental, or sale of farmland, buildings, or equipment to others, insurance payments, drawing on savings, etc.

If they report a drastic change - such as selling off half of their herd, or a large part or the entire crop was destroyed, one method would be to look at the most recent income tax and have them identify where the income and expenses that have changed would be listed. For example if the Schedule F shows income from sale of livestock and they indicate they have now sold half of their herd, take that income by 50%, also look at 50% of their feed, vet, etc. deductions that are directly related to the cattle. It is an estimate but is the best that can be done at this time.

For crop producers, most have revenue based crop insurance that will help pay the crop input costs but often gives them nothing to live off for the year. The local crop insurance agents would have knowledge of what crop conditions are and what local losses are for their clientele. The agents may be able to write a letter for verification documenting the losses.

If there were any salvageable crop that they can sell off, that would be income. The family would have stubs/receipts from that for verification.

The family could use the producer's proposed cash flow for the affected year. They should all have this in conjunction with their lenders. They would need to subtract the proposed income from crop sales, but then add in the income received from crop insurance. The schools should then consider the net farm income the producer would have, not their gross. If needed for verification, the school could request a copy of the appropriate section of the proposed cash flow or possibly the lender could write a letter for verification purposes.

Farmers and ranchers who have to sell off part of their livestock base due to the drought (beyond the normal culling of the herd and sale of stock) may elect to defer that as income. Additional information on weather related sale of livestock is available at <http://www.irs.gov/publications/p225/ch11.html>.

If the family receives an insurance payment, lump sum payments, such as insurance, are not considered income at the time of receipt. (Page 44 October 2011 Eligibility Guidance for School Meals Manual, page 15 of the CACFP Eligibility Guidance for Centers, page 33 of the CACFP Eligibility Guidance for Homes). If that lump sum payment is put into a savings account and the family draws from that for living expenses, the amount drawn is counted as income. The stub from the insurance check or a letter from the government or insurance company would document that they received payment for loss for verification. While you are not counting that as income, it could be verification documentation for the reason they have no income or a greatly reduced income.

Some may be operating with a loan. However, this would not count as income. Refer to page 43 of the Eligibility Guidance for School Meals Manual.

Some may report zero income. As noted previously, it is to be approved at face value. If a household is selected for regular verification or verification for cause and the application indicates zero income, the LEA must request an explanation of how living expenses are met and may request additional written documentation or collateral contacts. Outside employment must be reported. Refer to page 87 of the Eligibility Guidance for School Meals Manual.

If there were a Presidential disaster declaration for the area, disaster relief payments would likely be excluded from consideration as income for determining eligibility for free or reduced price meals as noted on page 45 of the eligibility manual.