



United States
Department of
Agriculture

Food and
Nutrition
Service

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SUBJECT: Determining Eligibility for Two Cent Differential Reimbursement
in New School Food Authorities - Revised

TO: Regional Directors
Special Nutrition Programs
All Regions

State Directors
Child Nutrition Programs
All States

Section 4 of the Richard B. Russell National School Lunch Act (NSLA) provides general cash for food assistance payments to States to assist schools in purchasing food. The NSLA provides two different section 4 payment levels for lunches served under the National School Lunch Program. The base payment applies to lunches served by School Food Authorities (SFAs) in which less than 60 percent of the lunches served during the second preceding year were served free or reduced price. Those SFAs in which 60 percent or more of the lunches served in the second preceding school year were served at free or reduced price receive two cents more. This higher payment rate is referred to as the two cent differential.

On September 22, 2005 the Food and Nutrition Service (FNS) issued SP-23 titled *Eligibility for Severe Need Rates for the School Breakfast Program* providing guidance on determining eligibility for severe need reimbursement in new schools. Since then, FNS has advised States and locals that the information concerning eligibility for severe need breakfast contained in SP 23-2005 should also apply to schools interested in receiving the two cents differential. This memorandum provides formal guidance on determining eligibility for the two cent differential in new SFAs.

Determining Eligibility for Two Cent Differential in New School Food Authorities

Typically, when new SFAs are opened they contain either a subset of students from one or a combination of students from several schools (but usually not from the existing SFA in its entirety). Therefore, in most cases there is no participation data from the second preceding year which matches the current SFA population to demonstrate that 60 percent or more of lunches served to the student population were served free or at reduced price.

In instances where no participation data from the second preceding year is available, new SFAs may demonstrate that they qualify for the two cent differential reimbursement if they serve at least 60 percent of their lunches free or at a reduced price for the first three claims of the current year. The two cent differential reimbursement for these new SFAs must be retroactively effective back to the three months that were used to establish the SFA's eligibility.

There may be some instances in which data from the second preceding year is valid for a new SFA. Examples include:

- A SFA changes its name with no change in location or student membership
- A SFA moves to a new building with no changes in the student membership
- A combination of the above two items
- Two or more schools that served 60 percent or more free or reduced price lunches combine their entire student membership into one SFA

In the above examples, if the data from the second preceding year showed that the old school(s) and/or SFA(s) served 60 percent or more of their lunches free or at a reduced price, the new SFA could qualify for the two cent differential.

State agencies are asked to distribute this Memorandum to program operators immediately. SFAs should contact their State agency for additional information. State agencies may direct any questions concerning this guidance to the appropriate Food and Nutrition Service Regional Office.

Original Signed

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