

Food Service Program

Income Research Paper

CBO Mentor Project

August 1, 2007

The National School Lunch Program (NSLP) is a federally assisted meal program operating in over 100,000 public and non-profit private schools and residential child care institutions in the United States. It provides nutritionally balanced, low-cost or free lunches to more than 29 million children each school day. The National School Lunch Act in 1946 created the modern school lunch program, though the U.S. Department of Agriculture (USDA) had provided funds and food to schools for many years prior to that. About 7.1 million children were participating in the National School Lunch Program by the end of its first year, 1946-47. By 1970, 22 million children were participating, and by 1980 the figure was nearly 27 million. In 1990, over 24 million children ate school lunch every day. In Fiscal Year 2005, more than 29.6 million children each day received their lunch through the National School Lunch Program. Since the modern program began, more than 187 billion lunches have been served. In 1998, Congress expanded the NSLP to include reimbursement for snacks served to children in after school educational and enrichment programs to include children through 18 years of age. The NSLP is administered at the federal level by the Food and Nutrition Service of the (USDA), at the state level by the California Department of Education's Child Nutrition and Food Distribution Division, and at the local level by individual school districts.

Operating the kitchen needs to be left to a good food service director. The CBO must focus on understanding the needs of the food service program. Serving as the leader in educating the Board and Superintendent, the CBO communicates and guides a nutritional cost effective program within the district. Whether the decision is to be more hands on or to outsource, an eye needs to be kept on the encroachment to the general fund. Since the program is a Federal program, more effort is needed to understand the intricacies of food service. The CBO will become very familiar with terms like; participation, reimbursement (federal vs. state), and "a la carte".

Food service income is one of a school district's few unencumbered revenue sources, and at best, school districts have an expectation that food service will support itself or provide minimum encroachment to the district. The challenges that face the CBO are not all financial. Parents and children are looking to schools for nutritional leadership. The CBO must be well versed in the intricacies of the market, federal and state funding, and sound management practices. As the challenges mount for the school district, the CBO must be able to guide the district to ensure that the food services program is financially stable and that the nutritional needs of the school population are being addressed.

There are several issues that face the growing needs of children. We have come to the realization that education and nutrition go hand in hand. Childhood obesity and juvenile diabetes are quickly becoming the single most important health concerns in the US today. The economic impact of poor nutrition is staggering. This is not only a health issue but one of productivity and lifestyle. Although, CBO's traditionally do not have a role in curriculum development, here the role in food service provides a pathway to ensure nutritional guidelines are understood. The CBO will soon realize that a strong Food Service Director needs to be part of the team.

We see a shift with the delivery of food services in our schools. No longer is the dreaded lunch lady slopping a mystery mixture onto little plates. We now see outsourced contracts and joint operations in a central kitchen; bringing "heat and serve" items to each school or a nationally recognized brand on campus. Of course, this brings on a whole new discussion of wholesome foods to the forefront. A good CBO will understand that a good director will provide services to meet, not only the nutritional demand, but business of managing a complex set of needs within food services.

According to the School Nutrition Dietary Assessment study by USDA's Office of Analysis and Evaluation, NSLP meals are much higher in key nutrients than meals purchased by the student outside of school and even more nutritious than bagged lunches brought from home. The financial decisions made to ensure minimum standards are communicated and in place are important to the role.

Meals served under the NSLP must meet specific federal nutrition standards in order to qualify for federal and state cash reimbursements and federal commodities. Though nutrition standards have been in place since the program began, they were recently changed to reflect the updated nutrition science in the Dietary Guidelines for Americans. All participating schools in California are now required to be working toward meeting these new, higher nutrition standards. Specifically, their meals must be based on the federal Food Guide Pyramid so that, when averaged over a week, they meet the recommended values for key nutrients in the Dietary Guidelines and must limit calories from fat to 30% of total calories. Meals may be planned by using computerized nutrient analysis or by following an approved meal pattern.

The CBO must have an understanding of how revenues are generated. For most, reimbursements are the primary revenue sources. However a trend toward local sales is a significant role to the financial stability of the food service program. Participation and “a la carte” sales become second nature to the CBO’s vocabulary. The greatest participation comes from lunch programs. Breakfast participation is far less than it is for lunch, but is on the rise. Perhaps the single most influential person with participation will be the Principal. Time is precious, a well run kitchen will allow the Principal to manage the day better and he/she will be a strong ally in supporting the kitchen at the site level if it meets the time constraints of school day. This is important to the success of not only the kitchen but the entire foods program.

The following sample budget is from the Santa Clarita Valley Food Agency illustrates sources of revenue and expenditures for the year 2006/2007 along with a proposed budget for 2007/2008:

Sample Budget

Description	code	2006-2007	proposed 07-08	Difference (\$)	Difference (%)	% income
<i>Income;</i>						
Federal Reimbursement	8290	3,047,459	3,147,316	99,857	3.17%	37.45%
Nutritional Ed.	8291	75,000	75,000			0.89%
State Reimbursement	8590	219,709	227,491	7,782	3.42%	2.71%
Local Sales	8634	4,471,998	4,478,414	6,416	0.14%	53.29%
interest	8660	45,000	50,000	5,000	10.00%	0.60%
Other Local Revenues	8699	350,000	425,000	75,000	17.65%	5.06%
Total Income		8,209,166	8,403,221	194,055	2.31%	100.00%

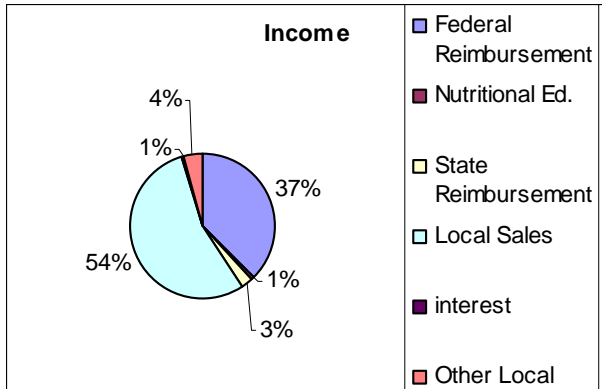
Expenditures

<i>Classified Salaries;</i>						
Administrative Staff	2200	320,653	329,471	8,818	2.68%	4.18%
Clerical/Office Staff	2300	311,381	319,944	8,563	2.68%	4.06%
Maintenance and Operation	2400	217,125	223,096	5,971	2.68%	2.83%
Food Service Salaries	2500	2,256,771	2,318,832	62,061	2.68%	29.43%
Total Payroll		3,105,930	3,191,343	85,413	2.68%	40.50%
<i>Employee Benefits</i>						
PERS	3200	326,006	334,971	8,965	2.68%	4.25%
OASDI & Medicare & Alt Ret.	3300	208,902	214,647	5,745	2.68%	2.72%
Health & Welfare	3400	527,350	561,628	34,278	6.10%	7.13%
Unemployment	3500	15,491	15,917	426	2.68%	0.20%
Worker's Compensation	3600	105,705	107,212	1,507	1.41%	1.36%
Total Benefits		1,183,454	1,234,375	50,921	4.13%	15.67%
<i>Food and Supplies</i>						
Other Supplies	4500	44,000	46,156	2,156	4.67%	0.59%
Food Services	4700	2,770,000	2,905,730	135,730	4.67%	36.88%
Total Food and Supplies		2,814,000	2,951,886		4.67%	37.46%

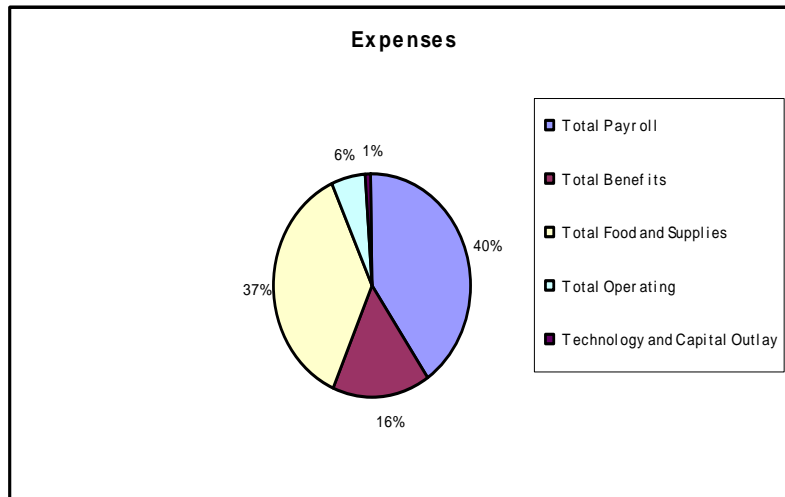
Operating Expenses						
Consultants	5100	13,500	4,000	-9,500	-237.50%	0.05%
Mileage and Conference	5200	51,250	52,788	1,538	2.91%	0.67%
Dues and Membership	5300	1,650	1,675	25	1.49%	0.02%
Insurance	5400	33,510	39,490	5,980	15.14%	0.50%
Utilities	5500	138,000	142,140	4,140	2.91%	1.80%
Repairs	5600	55,000	57,000	2,000	3.51%	0.72%
Other Operating Expenses	5800	86,000	89,600	3,600	4.02%	1.14%
Nutrition Ed Grants	5900	55,000	55,000	0	0.00%	0.70%
Total Operating		433,910	441,693	7,783	1.76%	5.61%
Technology		25,000	25,000	0	0.00%	0.32%
Capital Outlay		140,000	35,000	-105,000	-300.00%	0.44%
Total		165,000	60,000	-105,000	-175.00%	0.76%
TOTAL EXPENDITURES		7,702,294	7,879,297	177,003	2.25%	93.77%
PROFIT/LOSS		506,872	523,924	17,052	3.25%	6.23%
Rebate to Districts		500,000	500,000			
Profit after Rebate		6,872	23,924			0.28%
Fund Balance July 1		1,831,643	1,838,515			
Reserved for Inventory		150,000	150,000			
Designated for Economic Uncertainties		1,688,515	1,712,438			
Reserves		20.57%	20.38%			

In reviewing the budget for this agency, just over half of the revenues collected were from local sources (student direct purchases). In a 2003 survey, 90 percent of the school districts (containing high schools) surveyed sold fast foods as a la carte items. Many districts sold brand-name products such as Taco Bell, Domino's, and Subway. Profits generated from a la carte food sales helped to support food service operations and other school related activities (Samuels & Associates, California High School Fast Food Survey: Findings and

Recommendations; Public Health Institute, February 2000). You would expect to see a greater reimbursement from federal or state if there were more Free and Reduced lunches served. The chart below illustrates the percentage of revenues for our sample agency.



The next chart provides some detail with regard to expenses. Payroll is typically the largest expense with food and supplies next. It is important to note that payroll is a function of state COLA. Whereas revenues are a function of federal reimbursements tied to federal Consumer Price Index.



Some helpful information about reimbursements and food service programs:

How do children qualify for free and reduced-price meals?

Any child at a participating school may purchase a meal through the National School Lunch Program. Children from families with incomes at or below 130 percent of the poverty level are eligible for free meals. Those with incomes between 130 percent and 185 percent of the poverty level are eligible for reduced-price meals, for which students can be charged no more than 40 cents. (For the period July 1, 2006, through June 30, 2007, 130 percent of the poverty level is \$26,000 for a family of four; 185 percent is \$37,000.)

Children from families with incomes over 185 percent of poverty pay a full price, though their meals are still subsidized to some extent. Local school food authorities set

their own prices for full-price (paid) meals, but must operate their meal services as non-profit programs.

After school snacks are provided to children on the same income eligibility basis as school meals. However, programs that operate in areas where at least 50 percent of students are eligible for free or reduced-price meals may serve all their snacks for free.

How much reimbursement do schools get?

Most of the support USDA provides to schools in the National School Lunch Program comes in the form of a cash reimbursement for each meal served. The current (July 1, 2006 through June 30, 2007) basic cash reimbursement rates are:

Free lunches:	\$2.40	Free snacks:	\$0.65
Reduced-price lunches:	\$2.00	Reduced-price snacks:	\$0.32
Paid lunches:	\$0.23	Paid snacks:	\$0.06

In addition to cash reimbursements, schools are entitled by law to receive commodity foods, called "entitlement" foods, at a value of 16.75 cents for each meal served in Fiscal Year 2006-2007. Schools can also get "bonus" commodities as they are available from surplus agricultural stocks.

How do children qualify for free and reduced price breakfasts?

Any child at a participating school may purchase a meal through the School Breakfast Program. Children from families with incomes at or below 130 percent of the Federal poverty level are eligible for free meals. Those with incomes between 130 percent and 185 percent of the poverty level are eligible for reduced-price meals. (For the period July 1, 2006, through June 30, 2007, 130 percent of the poverty level is \$26,000 for a family of four; 185 percent is \$37,000.) Children from families over 185 percent of poverty pay full price, though their meals are still subsidized to some extent.

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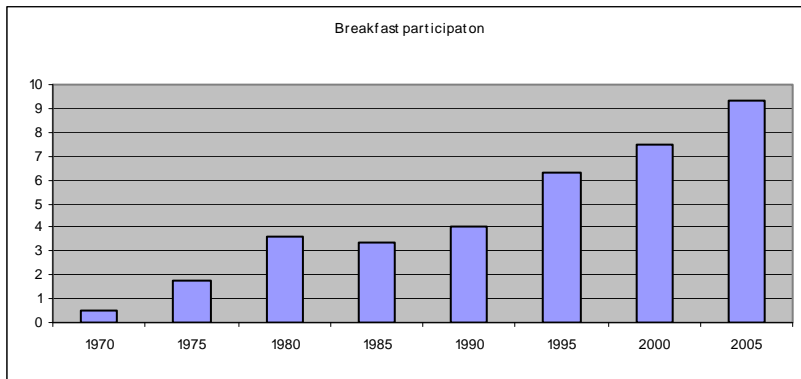
Most of the support USDA provides to schools in the School Breakfast Program comes in the form of a cash reimbursement for each breakfast served. The current (July 1, 2006 through June 30, 2007) basic cash reimbursement rates are:

Free breakfasts	\$1.31
Reduced-price breakfasts	\$1.01
Paid breakfasts	\$0.24

How many children have been served over the years?

In Fiscal Year 2004, over 8.9 million children participated every day. That number grew to 9.3 million in Fiscal Year 2005. Of those, 7.6 million received their meals free or at a reduced-price. Participation has slowly but steadily grown over the years: 1970: 0.5 million children; 1975: 1.8 million children; 1980: 3.6 million children; 1985: 3.4 million children; 1990: 4.0 million children; 1995: 6.3 million children; 2000: 7.5 million children.

The last chart demonstrates participation in breakfast programs. The good news is that not only is a good breakfast necessary for learning, but the numbers are growing.



In conclusion, the NSLP is federal program contributing reimbursements at the Federal level. The state aid is relatively small and the largest impact a district can have is with local sales. Having a good understanding of where revenues are generated and what the participation rates are, will give a good indicator of impact the food service program will have on the general fund. Good management and sound nutritional considerations can turn the nightmare of operating a kitchen into a benefit for the district. Don't go it alone. A key role to fill will be a Food Service Director that understands the needs of the population served. It is important to remember that the reimbursement for California schools follows the Federal COLA. While the rest of the programs are getting their state COLA, food services must be aware that the federal rate will not be the same.

References

Samuels & Associates, The 2003 California High School Fast Food Survey, Public Health Institute, 2003

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USDA's Office of Analysis and Evaluation, School Nutrition Dietary Assessment study