

Heats On: School Meals Under Financial Pressure

An analysis of meal cost changes for 2008/09 school year from 48 school nutrition programs operating in the largest US school districts.

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Conducted by:

School Nutrition Association



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SNA analyzed information from 48 school nutrition programs that operate in some of the largest districts within the US to understand if and how the costs within these programs have increased due to rising food, energy, and labor expenses. The analysis also focused on what measures these school nutrition programs were taking to cope with increased expenses. The following summarizes the information collected from these school nutrition programs.

School Nutrition Program Demographics:

- 48 school nutrition programs that operate in the largest US school districts provided information related to meal costs. Not all programs provided information on every aspect analyzed. Therefore the number of responses varies depending on the information being analyzed.
- School Nutrition Programs represented all 7 SNA Regions
- Enrollments for all of the districts included in the analysis are above 15,000 students. Note that according to the National Center for Education Statistics the largest 500 school districts by enrollment all had enrollments over 15,000 students.

District and Program Information for the School Nutrition Programs Included in the Analysis (n= 48)			
	Average	Median	Range
Student Enrollment	50,822	30,250	15,619 to 302,000
Free and Reduced Price Eligibility	42%	44%	12% to 72%
Average Daily Lunch Participation as a Percent of Enrollment	57%	55%	10% to 90%

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Meal Costs:

- All of the responding school nutrition programs had experienced an increase in the cost to produce a meal between the 2007/08 school year and the 2008/09 school year. The following table outlines the average reported costs to produce a meal along with how the change in meal costs compares to the reimbursement increase provided by the federal government.

Average Cost to Produce a Meal for School Nutrition Programs			
<i>Based on Analysis of Information From 45 School Nutrition Programs that operate in the school districts with the largest enrollments (at least 15,000 students)*</i>			
	Average	Median	Range
Meal Costs for 2007-08 School Year	\$2.63	\$2.67	\$1.15 to \$3.72
Estimated Meal Costs for 2008-09 School Year	\$2.90	\$2.92	\$1.50 to \$3.87
Change in Cost to Produce a Meal	Increased by \$0.27	Increased by \$0.25	Increases Ranged from \$0.03 to \$0.75
What Costs Where Included			
Food Costs	Included in all 43 meal cost calculations		
Non Food Supply Costs	Included in 41 meal cost calculations		
Labor & Benefits Costs	Included in 40 meal cost calculations		
Indirect Costs	Included in 33		
Two programs did not indicate what was included in the meal cost calculations.			
Comparison to Federal Reimbursement Increase			
The Federal Reimbursement for Free Meals increased by \$0.10 for programs with less than 60% free/reduced price students and by \$0.12 for programs with 60% or more. The following information compares the change in costs to produce a meal in the 2007-08 school year with the estimated costs to produce a meal in the 2008-09 school year. The categorization of the districts took into account the number of free and reduced price students and special geographic location considerations (i.e. Hawaii).			
Reimbursement Increase is GREATER than the Increase in Cost to Produce a Meal	9%		
Reimbursement Increase is SAME as the Increase in Cost to Produce a Meal	11%		
Reimbursement Increase is LESS than the Increase in Cost to Produce a Meal	79.0%**		
* 5 programs either did not provide cost information or only provide cost information for the 2007-08 school year. These programs were not included in the meal cost analysis.			
** 4 programs did not provide information on the number of free/reduced price students. However the increase in costs exceeded both the reimbursement rates. Therefore these districts were included in this category.			
Other Costs:			
56% programs are incurring a fuel surcharge on deliveries. Of these programs 19% began incurring fuel surcharges in the 2007-08 school year and an additional 37% will begin incurring these surcharged in the 2008-09 school year.			

- 88% of responding school nutrition programs indicated that the NSLP reimbursement was not sufficient for their program to cover the costs of producing a meal in the 2007/08 school year. Given the increases in costs to produce a meal in 2008/09 this figure is expected to increase for the 2008/09 school year.
- 68% of the responding programs indicated that at the end of the 2007/08 school year their costs will exceed revenue.

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Additional Sources of Revenue (outside of federal reimbursements):

- 98% of programs generate additional sources of revenue through a la carte sales, 61% through catering programs, and 43% through vending programs 15% also indicated contracting their services out to other programs (such as senior centers, charter schools, etc.)
 - 78% of programs report using these additional sources of revenue to supplement their reimbursable meal program
- Student Meal Prices (full paid category)
 - 73% of programs are increasing prices for students to make up for increased costs (either meal, a la carte, or vending prices). Between 50% and 60% of programs are increasing prices specifically for meals. The following table illustrates the average meal price changes.

Meal Prices for Students in Paid Category n = 46			
	Elementary	Middle School	High School
2007/08 Meal Prices	\$1.74	\$2.02	\$2.11
2008/09 Meal Prices	\$1.86	\$2.16	\$2.23
Percent of Programs that Increased Meal Prices	60%	57%	50%
Magnitude of Meal Price Increase	\$0.21 (Average) \$0.25 (Median)	\$0.24 (Average) \$0.25 (Median)	\$0.23 (Average) \$0.25 (Median)
	\$0.05 to \$0.50 Range Between 12% to 13% price increase		

Ways School Nutrition Programs are Dealing with Increased Costs:

- Outside of raising meal prices, these school nutrition programs report taking the following steps to help deal with the increased costs.
 - Making Menu Substitutions (75%)
 - Offering fewer choices, reducing portions, watching CN Label, offering more (and sometimes more expensive) a la carte items, not adding any new items to menu, moving to in-house preparation compared to convenience items (e.g. baking pizzas in house), improving quality of products to increase participation, reducing desserts, limiting whole grains, reducing the amount of fresh fruits, replacing fresh fruits with canned, offering less fruit & vegetable variety and lower cost fruit and vegetable options.
 - Decreasing Financial Reserves (69%)
 - Decreasing Labor Force (60%)
 - Freezing/Limiting Travel (53%)
 - Cutting Professional Development (26%)
 - Joining a Purchasing Cooperative (31%)
 - Other steps noted by school nutrition programs include eliminating programs and services, freezing salaries, eliminating the reduced price category, getting reduced indirect cost charges from the district, and getting additional funding from the district and/or state.

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SNA Legislative Recommendations Going Forward:

In an effort to mitigate the rapid increase in the cost of food as well as other costs, the School Nutrition Association recommends the following legislative actions:

1. The National School Lunch Act updates the various reimbursements annually. Given how fast food prices are escalating, by the time the new rates are implemented they are out of date. SNA believes that the statute should be amended to require adjustments twice a year, or every six months.
2. The current index formula is based on "food away from home." The question in our mind is whether that is the correct index, or whether there is a more appropriate index. More analysis into this question is necessary.
3. Many school districts are increasing the "indirect expenses" that are being charged against the school foodservice account. For example, in many cases, the percentage of the lighting bill or the sanitation bill, or even the salary of the school administrator, being charged to school nutrition program accounts, is far out of proportion. Unlike many other programs, there is no maximum in the statute or the regulation as to what a school district can charge the foodservice account. The appropriations bill, each year, states that the money is to fund the National School Lunch and Breakfast Programs. In reality, however, the money is used for many other school expenses. The statute should require USDA to establish a maximum indirect expense charge and one that is based on our true cost and expense to the school district. Such a change would greatly improve the financial integrity of the school meal program and allow for improved meal quality.
4. The School Breakfast Program still does not receive any USDA commodity assistance. The Lunch Program receives USDA commodities, but not the breakfast program. It would greatly assist school nutrition programs, and help expand the breakfast program, if the Congress amended the statute to provide commodity assistance for each breakfast served. SNA suggests ten cents (.10) per breakfast. Even though the School Lunch Program receives commodity assistance, it is much less than in previous years. Because of changes in the agriculture economy, "bonus commodities" have all but stopped. Traditionally, "entitlement" commodities were supplemented by bonus commodities, or extra surplus commodities. That is no longer happening to the same extent.

For more additional information on this topic, please contact the School Nutrition Association.