

**In the Pressure Cooker:
*School Meals Face
Rising Costs & Participation***

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Conducted by:



SCHOOL
NUTRITION
ASSOCIATION

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Introduction

As more of America's children are depending on free and reduced price school meals during the economic downturn, schools are grappling with rising costs that surpass the federal reimbursement rate for these meals. To better understand these issues, the School Nutrition Association (SNA) conducted two separate nationwide surveys of school nutrition directors in 2009. SNA's School Nutrition Operations Survey included detailed information on issues impacting school nutrition from 1,207 school nutrition directors nationwide. Building on these findings, in September 2009, SNA conducted a Back to School Trends Survey, which focused on understanding the financial pressures school nutrition programs have faced in the current and previous school years. This survey netted 310 responses. This report summarizes the findings of these surveys related to costs associated with operating a school nutrition program, meal program participation and student meal prices.

Survey responses illustrated that school nutrition programs are facing increased costs in running school nutrition programs. Over half of the school districts indicated that they expect to face continued increases in the cost of food, supplies, labor, gas and transportation. Additionally, three quarters of school nutrition directors surveyed indicated that the National School Lunch Program Reimbursement was not sufficient to cover the costs of producing a meal during the 2008-09 school year, nor do they anticipate the reimbursement to cover costs for the current school year. In spite of these additional financial pressures, school nutrition programs are not compromising on nutritional quality. Instead, school nutrition directors are having to decrease their labor forces, increase student meal prices and/or decrease the amount of money they have in their financial reserves.

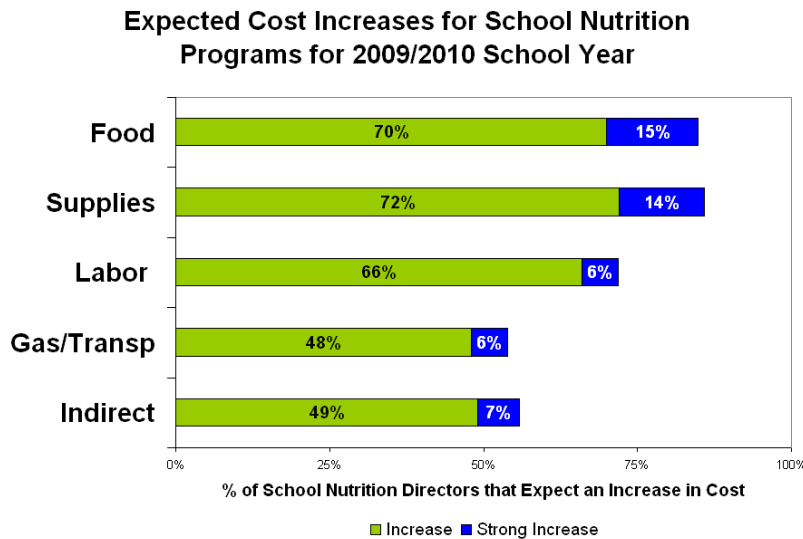
Financial challenges faced by school nutrition programs come as student participation in the National School Lunch and Breakfast programs continues to grow. In the 2008-09 school year, an average of 31 million students participated in the National School Lunch Program and 10.6 million in the School Breakfast Program. These programs have increased participation by 13% and 40%, respectively, since 2000. While increases in school enrollment contribute to increased participation in meal programs, increases in the National School Lunch Program during the 2008-09 school year were more than five times the gains in student enrollment. A large portion of the increases in participation is for students that receive free or reduced price meals. With the U.S. unemployment rate at 9.5% in September 2009, more students are qualifying for free or reduced price lunches. In the 2008-09 school year alone, 800,000 additional students received free and reduced price lunches. Increases are expected to continue for the 2009-10 school year, with 78% of school nutrition directors surveyed having already noticed an increased number of students eligible to receive free or reduced price meals.



Cost of Operations

School Nutrition Programs Facing Increased Costs

School nutrition directors identified funding and the cost of food/food preparation as the two most pressing issues facing school nutrition programs. More than half of school nutrition directors indicated that they expect to face increases in the cost of food, supplies, labor, gas/transportation and indirect costs for the 2009-10 school year. The costs of food and supplies are the most widespread anticipated cost increases. Additionally, the expected magnitude of these costs is stronger compared to other operational costs.



School nutrition directors were asked the same question at the beginning of last school year. In comparing the responses for expected cost increases, the relative strength of the expected cost increase is less for food and gas/transportation costs for this school year. While the magnitude of the expected gas/transportation cost increases is less than for the 2008-09 school year, school nutrition programs continue to be charged fuel surcharges on deliveries to their programs, with 47% of directors indicating that their programs will incur these surcharges this school year.

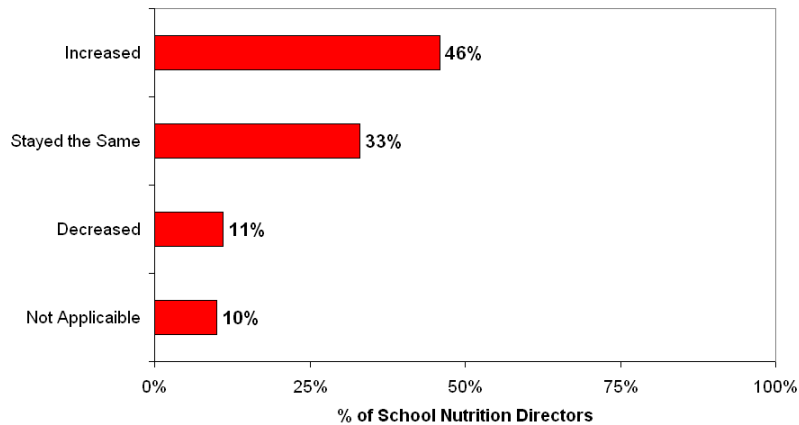


Increases in Unpaid Student Meal Charges

Many school nutrition directors indicated that their programs experienced an increase in the number of unpaid student meals charges in the 2008-09 school year. Forty-six percent indicated having an “increase,” with 15% having noted a “strong increase.” While not all school nutrition programs allow students to have unpaid meal balances, those that do often are forced to assume the loss on these unpaid balances. Twenty-one percent of school nutrition directors indicated that insufficient student account/meal charges were one of the top three most pressing issues facing their school nutrition program.

Changes in Number of Unpaid Student Meal Charges

Reported by School Nutrition Directors for the 2008-2009 School Year

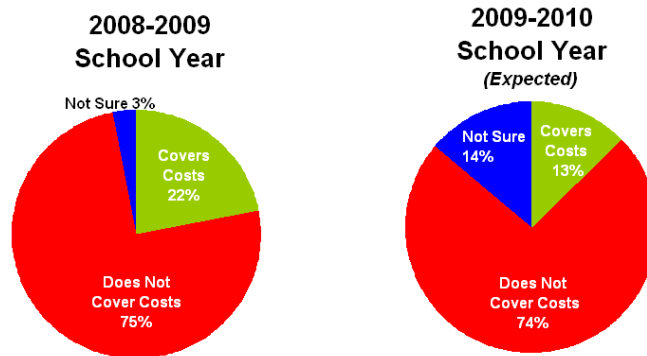


Adequacy of Federal Reimbursement Rate

Reimbursement Rate Does Not Cover the Cost Associated with Producing a Meal

For the 2008-09 school year, 75% of school nutrition directors indicated that the National School Lunch Program Reimbursement was not sufficient to cover the costs of producing a meal for their program. This trend of inadequate reimbursement rates is continuing for this school year as well. Initial findings for this school year indicate that 74% of school directors do not expect the National School Lunch Program reimbursement rate to cover the cost for the 2009-10 school year. An additional 14% of directors indicate that it is too early to determine the adequacy of the reimbursement rate.

Adequacy of NSLP Reimbursement to Cover Costs Associated with Producing a Meal Reported by School Nutrition Directors



How School Nutrition Programs Are Handling the Increased Financial Pressures

Even though school nutrition programs are facing financial pressures, few are cutting back on healthy food options like whole grain or fresh fruits and vegetables. Instead, school nutrition programs are decreasing their labor force, increasing meal prices and decreasing financial reserves.

What School Nutrition Directors Plan on Doing in the 2009-10 School Year to Help Maintain Financial Integrity of their School Nutrition Programs	
	Prevalence (Percent of School Nutrition Directors)
Decreasing Labor Force	46%
Increasing Meal and/or A la Carte Prices	45%
Decreasing Financial Reserves	44%
Freezing/Limiting Travel	40%
Freezing Salaries and/or Labor Wages	35%
Cutting Professional Development	28%
Joining a Purchasing Cooperative	27%
Eliminating/Reducing Indirect Costs	20%
Less than 15% of Directors indicated Decreasing Whole Grains, Decreasing Fresh Fruits and Vegetables, Eliminating Programs & Services, and Receiving Additional Funding from School District or State	

Increasing Student Meal Prices

One of the most prevalent ways school nutrition programs are dealing with increased costs is to increase the price of meals for students who do not qualify for free or reduced price meals. While periodic cost increases are to be expected, in the 2008-09 school year, nearly 60% of districts had increased student meal prices for lunch. This is almost double the number of districts that increased prices in 2007 and 2005. Not only have more districts increased prices, the size of the price increase is greater than in prior years. The median price increase was \$0.25 for both lunch and breakfast. Median increases were in the \$0.10 to \$0.15 range in 2007 and 2005.

Average Student Meal Prices			
	Elem.	High	Change (since 2007)
Lunch	\$1.87	\$2.13	Up \$0.25 (12.5%)
Breakfast	\$1.10	\$1.21	Up \$0.25 (20%)

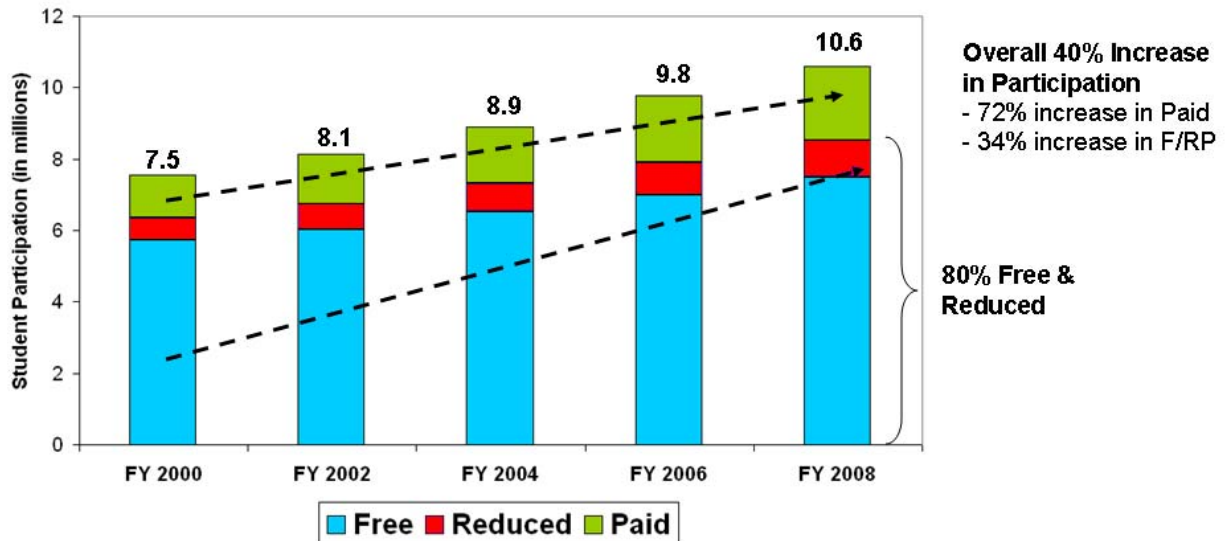


Participation in School Meal Programs

Increasing Breakfast Participation

10.6 million U.S. students ate a school breakfast on an average school day during the 2008-09 school year. Since 2000, the number of U.S. students participating in this program increased 40%. While a strong majority of the students that eat school breakfast qualify for free or reduced price meals, growth is occurring across all student segments, with a 72% increase in participation among students that pay full price for breakfast and a 34% increase in participation among students that qualify for free or reduced price meals since the 2000-01 school year¹.

School Breakfast Participation Trends



Increasing Lunch Participation

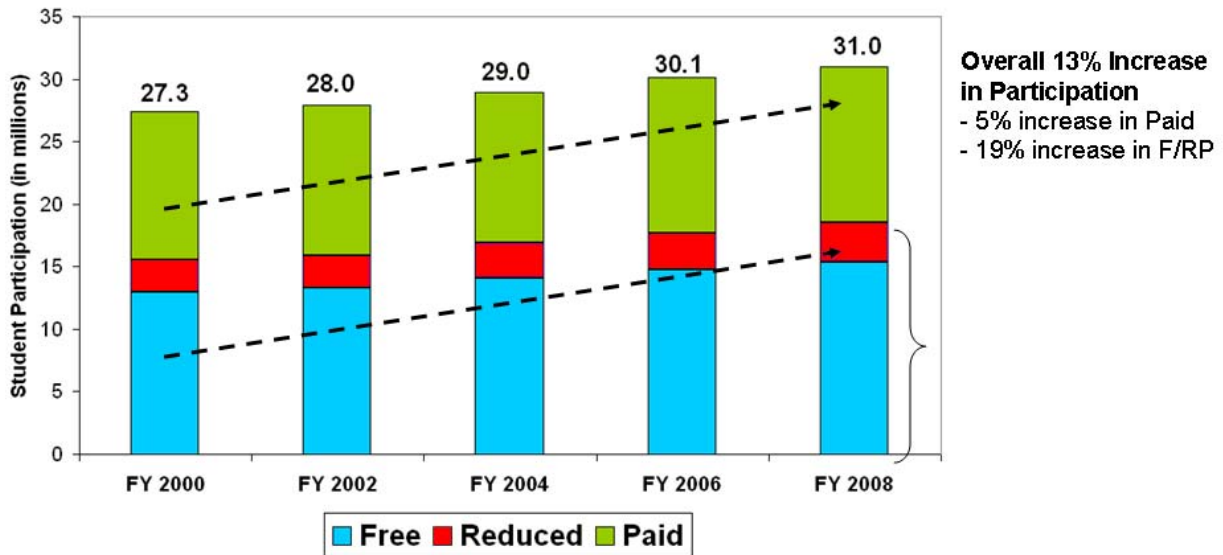
31 million U.S. students ate a school lunch on an average day during the 2008-09 school year. This is approximately 55% of all public and private school students in the U.S. * Participation has increased 13% since 2000, with a 5% increase in students who pay full price for meals and a 19% increase in students who receive free or reduced price meals. Approximately 60% of all National School Lunch Program lunches go to students eligible for free or reduced price meals¹.

* Note that while most students have access to lunch through the National School Lunch Program (program operates in 95% of all U.S. public schools), not all schools offer lunches through this program.

¹ U.S. Department of Agriculture, Food and Nutrition Service, www.fns.usda.gov/pd/cnpmain.htm



National School Lunch Participation Trends



Continued Increases in Participation Expected for 2009-10 School Year Driven by Increases in Free and Reduced Price Eligibility

With the U.S. unemployment rate at 9.5% in September 2009², an increasing number of students are qualifying for free and reduced price meals. Last school year alone, 800,000 additional students received free and reduced price lunches. While the number of students qualifying for free or reduced price meals has been increasing over time, the 4.5% increase in the 2008-09 school year was larger than previous increases.³

These numbers are expected to continue to grow in the 2009-10 school year. Seventy-eight percent of school nutrition directors have already noticed an increase in the number of students eligible for free or reduced price meals, with an additional 13% indicating that it is too early for their program to determine this figure.⁴

² U.S. Bureau of Labor Statistics, www.bls.gov/bls/unemployment.htm

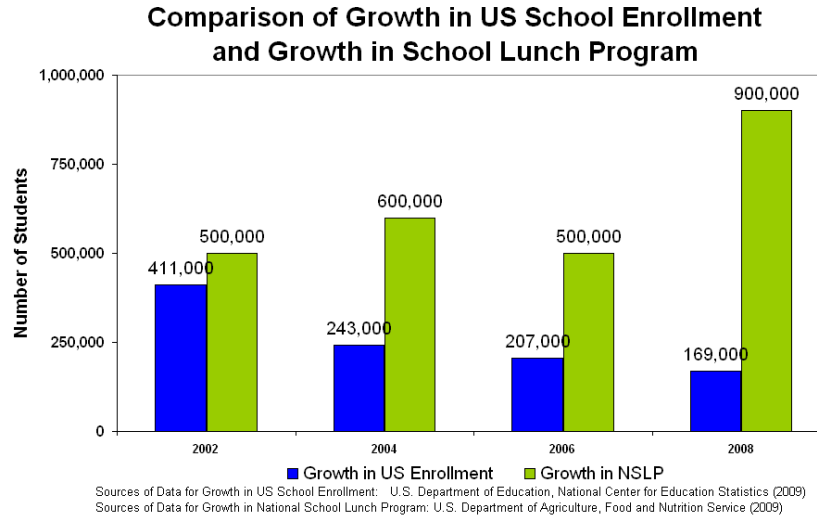
³ U.S. Department of Agriculture, Food and Nutrition Service, www.fns.usda.gov/pd/cnpmain.htm

⁴ School Nutrition Association Back to School Trends Survey



Increases in Lunch Participation Outpace School Enrollment Increases

Enrollment in U.S. public and private schools is estimated to reach a record 56.1 million students this school year. Since the mid-1990's, enrollment has set new records each school year. This trend is expected to continue through 2019⁵. While the increase in the number of U.S. students likely impacts the growth in participation in school lunch and breakfast programs, the increases in lunch participation are greater than the increases in student enrollment. For example, last school year, enrollment increased by approximately 169,000 students, while the average number of students participating in the National School Lunch Program increased by approximately 900,000 students (this includes students who receive a free, reduced price and paid meals).



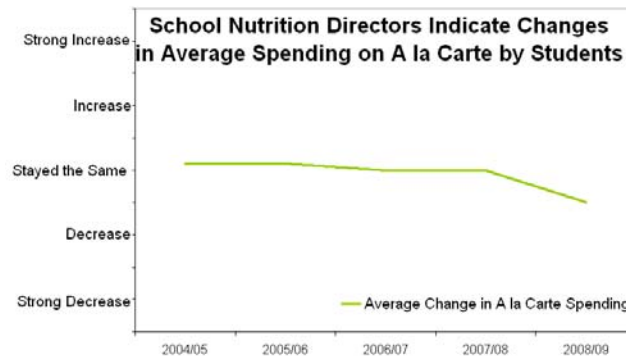
⁵ U.S. Department of Education, National Center for Education Statistics (2009). *Digest of Education Statistics, 2008* (NCES 2009-020), Chapter 1.



Average Student A la Carte and Vending Purchases Decreasing

While participation in lunch and breakfast programs has been increasing, the average spending on a la carte and vending items decreased in the 2008-09 school year. Forty-six percent of school nutrition directors indicated that average student spending on a la carte decreased last year, and 51% indicated that average spending on vending items decreased last year.

Factors that are likely influencing these decreases include students having less money to spend on extra items due to the economy, more students choosing a reimbursable meal versus a la carte items and decreased a la carte and vending machine offerings due to either district nutrition standards or high food costs.



Sources of Information

This report includes information from a number of referenced sources, including the U.S. Department of Agriculture, U.S. Department of Education and U.S. Bureau of Labor Statistics. However, the majority of the information in this report is based on the findings of two surveys conducted by the School Nutrition Association in 2009. The following provides information on the objectives, samples and collection methods used for these two surveys.

The first survey is SNA's School Nutrition Operations Survey, which has been conducted by SNA six times since 1993, with the most recent survey in Spring 2009. The survey collected detailed information on operational issues impacting school nutrition and builds comprehensive benchmarking data across district types and locations. Surveys were distributed via U.S. mail to 3,593 school nutrition programs with SNA director-level members. 1,207 responses were received for a response rate of 33.6%. The sample is a highly reflective statistical depiction of SNA member school districts nationwide, with a margin of sampling error of 2.3% at a 95% confidence interval.

Building on the initial findings of SNA's School Nutrition Operations Survey, SNA conducted a Back to School Trends Survey in September 2009 that focused on understanding the financial pressures school nutrition programs faced in the 2008-09 school year, as well as for the 2009-10 school year. Many of the survey questions mirrored questions asked in the 2008 Back to School Trends Survey. The survey was distributed as an online form to approximately 2,250 SNA director-level members. The survey netted 310 responses, similar to the 358 responses received in the 2008 Back to School Trends Survey. The response rate was 13.7%.

About the School Nutrition Association

The School Nutrition Association (formerly American School Food Service Association) is a national, nonprofit professional organization representing more than 55,000 members who provide high-quality, low-cost meals to students across the country.

The Association works to ensure all children have access to healthful school meals and nutrition education by:

- Providing members with education and training
- Setting standards through certification and credentialing
- Gathering and transmitting regulatory, legislative, industry, nutritional and other types of information related to school nutrition
- Representing the nutritional interests of all children

Recognized as the authority on school nutrition, the School Nutrition Association (SNA) has been advancing the availability, quality and acceptance of school nutrition programs as an integral part of education since 1946.

In 1964, SNA established a sister organization called the School Nutrition Foundation, which plays a critical role by raising money for professional development and outreach programs, as well as providing members with tuition assistance opportunities.

With 52 state affiliates, hundreds of local chapters and thousands of school nutrition members and industry partners, SNA brings a unique, firsthand perspective to child nutrition issues.

For more information on the School Nutrition Association, please visit www.schoolnutrition.org.

