

The Perfect Storm...

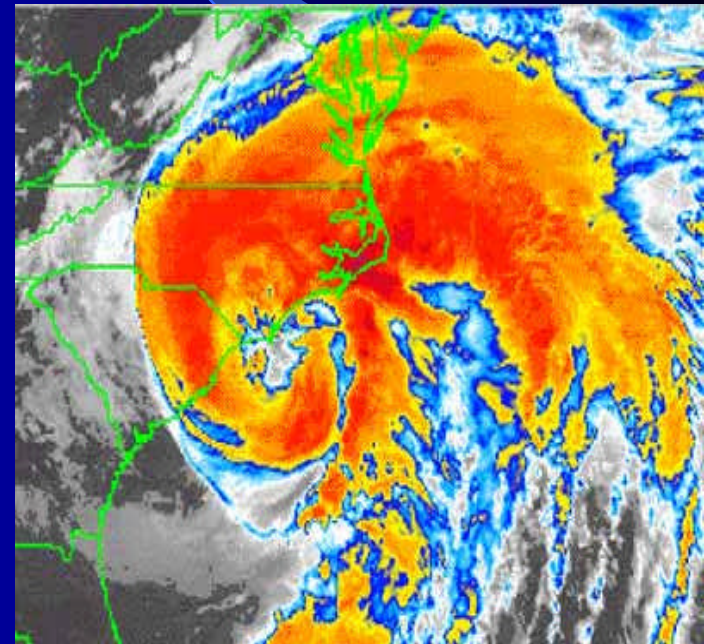
A forecast for the Child Nutrition Program

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Is the Child Nutrition Program about to be caught in the *Perfect Storm*?

Several factors have begun to circulate in North Carolina that have the potential to converge upon the Child Nutrition Program at one time. If these factors collide with no “rescue” efforts, the program’s future will be in jeopardy.



Are conditions favorable for the Perfect Storm?



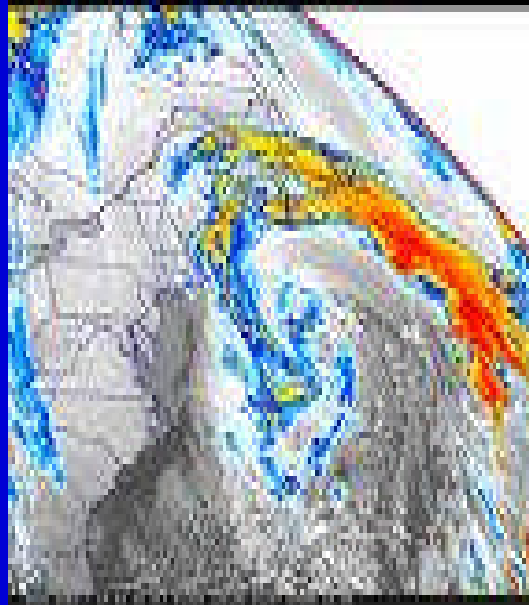
- ✓ In the early 80s, the massive Federal budget cut threatened the program.
- ✓ Nationwide, the program struggled to operate and began to expand the sale of “extra foods and beverages to students” to meet financial obligations; *A la Carte* meal service began to produce relief from the budget cuts.

Are conditions favorable for the Perfect Storm?

- *A la Carte* program is thriving
- Schools make money selling foods and beverages to students
- Students developed an appetite for *A la Carte*/competitive foods
- Schools developed an appetite for *revenues* from the sale of *A la Carte*/competitive foods
- Stigma associated with free or reduced price meals



What are the factors that may converge to create the Perfect Storm in the Child Nutrition Program?



Factor 1: Operating costs are increasing.

- ✓ Food Costs
- ✓ Fuel/Delivery Costs
- ✓ Labor Costs
- ✓ Employee Benefits
- ✓ Indirect Costs
- ✓ Equipment Costs
- ✓ Other Costs



Example: Expenditures

CN Programs are expected to operate as small businesses on the school campus and must produce revenues to cover the cost of:

- Food and supplies
- Salaries for all staff
- Benefits (health, longevity, workman's comp)
- State-mandated pay raises
- Equipment and technology
- Other costs



Factor 2:

Program revenues are decreasing.

- Federal Reimbursement
 - \$2.47 (free meal)
 - \$2.07 (reduced price meal)
 - \$.23 (paid meal)
- Commodities/entitlement
- A la Carte Sales
- Adult Meal Sales
- Catering (where permitted)
- State Revenue Match Funds
- Interest/Equipment Sales



Factor 3:

Nutrition Standards will increase costs.

The epidemic of childhood obesity is compelling Child Nutrition Programs to provide More healthful meal and snack options to students. This is an encouraging step as it reflects a return to the philosophy of “doing the right thing for students.”



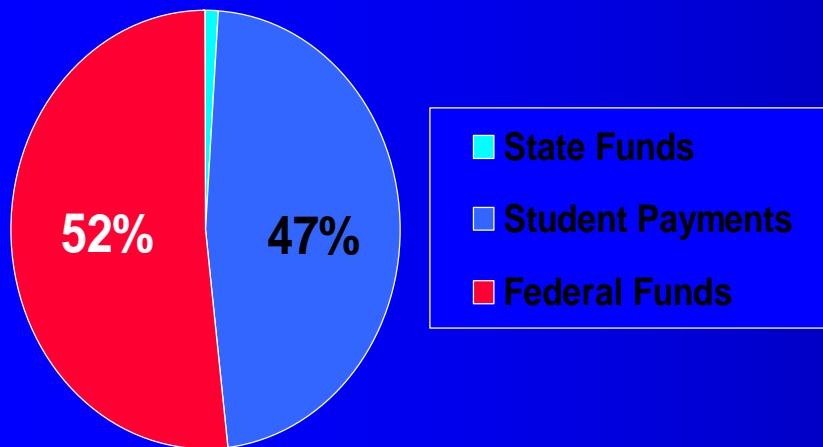
NC's Epidemic of Childhood Overweight



- ✓ 1 in 5 children overweight
- ✓ 1 in 4 teens overweight
- ✓ Children are overfed but undernourished
- ✓ School meals are not the cause of epidemic
- ✓ Child Nutrition Programs can be part of the solution

“Selling students health in order to generate money”

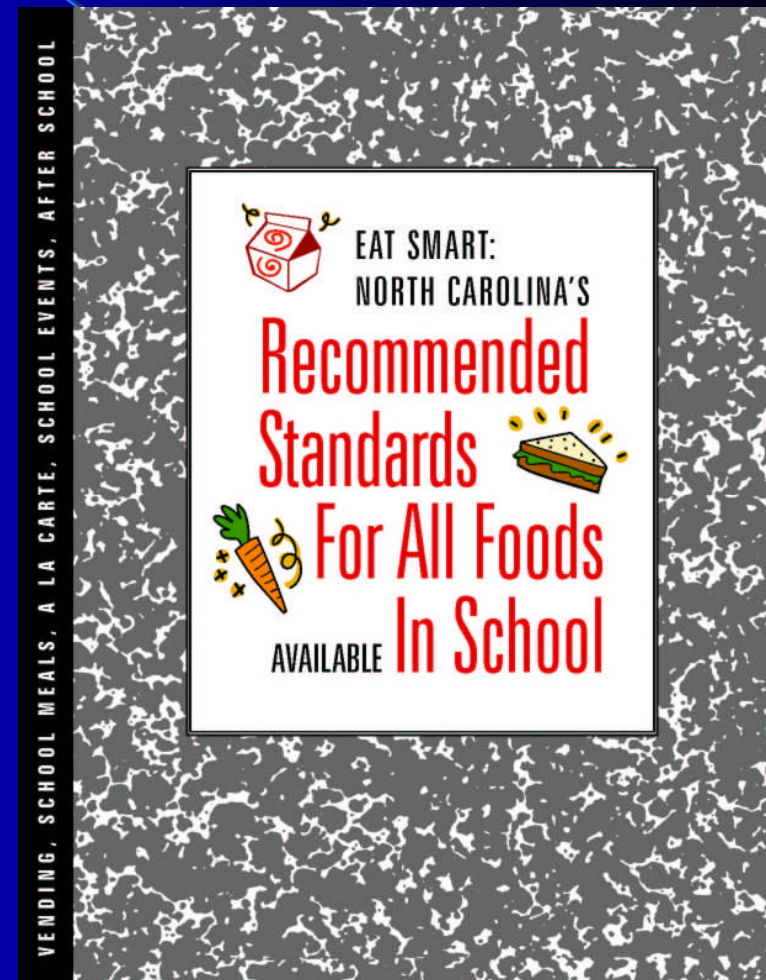
Funding Sources for
NC's Child Nutrition Program



Nearly half of the funds needed to operate the CN program are generated through the sale of less healthful foods and beverages to students; the kinds and amounts of foods available to students must change to focus on student health, not revenues.

Factor 3: Nutrition Standards will increase costs.

- In 2005, NC General Assembly appropriated \$25,000 to test the nutrition standards in 124 elementary schools..
- The standards reflected the Dietary Guidelines.
- The standards were tested for achievability, affordability and student appeal.



Results of Pilots of Nutrition Standards

- ✓ Products were not yet available to schools.
- ✓ Food costs were higher, especially whole grains, fresh fruits and vegetables.
- ✓ Production/labor costs were higher.
- ✓ Equipment was inadequate to support the standards; little or no funding for new equipment.
- ✓ Student participation declined then rebounded.
- ✓ School districts lost 15 times the amount appropriated for the pilot in less than 5 months.
- ✓ Projected cost to implement nutrition standards in elementary schools is \$20 million annually.

Factor 4 : Sale and availability of competitive foods and beverages

- ✓ Competitive foods are foods and beverages that are **sold or offered to students** in competition with the Child Nutrition Program
- ✓ Competitive foods erode the nutritional, operational and financial integrity of the school meals program



Factor 4 : Sale and availability of competitive foods and beverages

- ✓ The sale of foods and beverages in competition with the school meals programs is estimated to divert \$60,000 to \$80,000 from the Child Nutrition Program in each high school.
- ✓ The amount of time available for student meals contributes to this problem.



Factor 5 :

Student meal charges are on the rise.

- Student meal charges are increasing as working poor families are effected by the current economy.
- It is not possible for many of the state's economically disadvantaged families, who do not qualify for free or reduced price meals, to pay for these meals given current economic constraints.
- To date, 1 NC school district has 55,000 unpaid meals; the district projects nearly \$400,000 in meal charges and unpaid meals by year end.

Factor 6 : Child Nutrition Administrators are being held to an impossible standard.

- The mandate to implement nutrition standards in school meals is incompatible with the “implied mandate” to generate revenues to enable the Child Nutrition Program to be financially self-supporting.
- Child Nutrition Administrators are being held accountable for circumstances over which they have no control.

Factor 6: Child Nutrition Administrators are being held to an impossible standard.

Example:

Average cost to produce a school lunch is \$2.80

Average cost to a paying student is \$1.75

Free reimbursement falls short by \$ 0.33

Reduced reimbursement falls short by \$ 0.73

Paid rate falls short by \$2.57

Paid rate + meal cost falls short by \$ 0.49

Where will the revenues to offset the losses come from?

Is the Perfect Storm in the forecast?

If the Child Nutrition Program continues on its current course...

- ✓ Increased operating costs
- ✓ Revenue sources are limited
- ✓ Competitive foods are undermining the program financially
- ✓ Current economy is “competing” with the program
- ✓ Too little state funding
- ✓ Federal reimbursement is not adequate to support program costs
- ✓ Programs are under-staffed
- ✓ Qualified CN Administrators are leaving

LEAs and BOEs have been encouraged to exercise due diligence to prevent the Perfect Storm.

- ❖ Examine costs (labor, food, other) and make changes in areas that do not compromise the quality of service or participation.
- ❖ Eliminate competitive foods.
- ❖ Maximize reimbursable meals.
- ❖ Consider cooperative purchasing.
- ❖ Consider meal price increases.
- ❖ Ensure adequate meal times for students.

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*Thank you for your
attention.*

Do you have questions?