

**CALIFORNIA SCHOOL FOOD FINANCE STUDY:  
KEY FINDINGS**

**Prepared for**

**California Food Policy Advocates**

**January 2001**

Prepared by:

Lisa Craypo, MPH, RD  
Sarah E. Samuels, DrPH

Samuels & Associates  
3900 Lake Shore Avenue  
Oakland, CA 94610  
(510) 271-0722  
Fax (510) 271-0745

## INTRODUCTION

In the fall of 2000, California Food Policy Advocates commissioned Samuels & Associates to conduct a study of food service finances. The aim of this study was to describe the financial management of public school food service departments within the responding districts. The study examined sources of funds utilized by the district food service department and how these funds were spent. The study was guided by the following research objectives:

- To assess financial and other resources available to district level food service departments.
- To assess how the food service departments spend their funds.
- To determine who in the district has decision-making authority and fiscal responsibility for the food service.

## METHODS

This study entailed a phone survey of district level food service directors and school business officials in a sample of 10 public school districts throughout California. Given the small size of the sample, the study was not designed to yield statistically significant results. Efforts were made, however, to assure that the sample represented a variety of districts in terms of size, urban/rural/ suburban designation and geographic location (northern, central and southern California). A survey questionnaire was developed to guide the phone interviews, which took approximately 20 minutes. Attempts were made to interview representatives from all ten districts, however, only seven districts were able to participate.

## TERMINOLOGY

The following terms are used in this report:

- **Food Service:** The department within the school district or school that operates the school breakfast and/or lunch program including the operation of the National School Lunch Program.
- **National School Lunch Program (NSLP):** This program, administered by the United States Department of Agriculture (USDA) in cooperation with state and local education agencies, subsidizes the cost of preparing and serving meals at participating schools. The NSLP assures that lunch is available to all students at participating schools and that the meals meet specific nutritional requirements.
- **A La Carte:** Foods sold individually and not as part of a complete NSLP meal. A la carte items are exempt from the dietary guidelines to which the NSLP meals must adhere. A la carte items may include fast foods.

## FINDINGS

### FOOD SERVICE REVENUES

#### Financial goal of the food service:

- Respondents unanimously stated that the financial goal of their food service department was to “stay in the black”, run a solvent food service business, and minimize encroachment on the district’s general fund. A two respondents noted that this goal was mandated by their district’s school board.
- A number of respondents mentioned that one of their goals was to generate the revenue needed for rehabilitation of aging food service facilities.

#### Sources of funds for the food service budget:

- For the majority of districts interviewed, federal reimbursement is the largest contributor to the food service budget. Four of the districts interviewed reported that federal reimbursement accounts for 80% or more of the operating budget. Other districts reported that federal reimbursement accounts for between 30% and 60% of their operating budget.
- Only one district did not report federal reimbursement as the largest source of funds. Fifty percent of this district’s budget came from food sales (full-priced breakfast and lunch sales and a la carte sales).
- State reimbursement is a relatively minor funding source for food service departments. Most respondents reported that state reimbursements account for between 3% and 5% of the total operating budget. One district reported that state reimbursements supply 10 % of the food service budget.
- Most respondents said that sales of full priced meals (breakfast and lunch) accounted for less than 3% of their budget.

- The majority of respondents said that a la carte sales accounted for between 7% and 12% of their district's operating budget. A number of respondents stated that a la carte sales on high school campuses are often double the a la carte sales on elementary or middle school campuses.
- Only two districts reported additional income from grants or special projects. One district has a grant to expand the school breakfast program. Another district has three grants – a school garden grant, a cooking cart nutrition education grant, and a Nutrition Network grant.
- Other sources of income included revenues earned by catering to other school districts and interest income.

#### **Availability of additional resources:**

- The majority of respondents said that the district's food service does not have access to any resources that are not included in their operating budget.
- Two respondents reported that the district provides the food service department with in-kind custodial or maintenance labor.

#### **Surplus income**

- Four of the responding districts had surplus income at the end of the last fiscal year. The other districts interviewed broke even.
- Districts with surplus income roll this money back into the food service budget. This income is used for repairs, improvements, and special programs such as snacks on test days.
- Most of the districts interviewed reported that their food service department had only started breaking even or maintaining surplus income in the past one or two years. Two districts have had the benefit of surplus income for more than five years.
- The magnitude of the surplus income varied widely. One district reported surplus income in the \$10, 000 range, another had \$100,000 in surplus income and a third district reported that its surplus income approximates 5% of its total operating budget.
- One respondent stated that the food service department did not like to maintain significant surplus income because of concerns that the district might try to appropriate a large portion of the surplus.

#### **Vending machines:**

- All of the districts surveyed have vending machines on their campuses.
- Five of the responding districts report that the food service owns all or some of the vending machines. Revenues generated by the food service-owned vending machines are rolled directly into the food service budget.
- A number of respondents stated that vending machines operated outside of the food service department (i.e. by student groups, principles, or sports teams) were detrimental to the food service department because: 1) they drew students away from participating in the NSLP, and 2) the food selections offered in the non-food service vending machines (soda, and candy) were less healthy than the foods available through the food service department.

#### **A la carte and vending machine sales**

- A la carte and vending machine sales bring in significant revenues for many of the districts surveyed. Two of the districts reported that a la carte and vending machine sales account for between 10% and 12% of their overall budget.
- Responding school districts with few or no high schools reported that a la carte and vending machine sales are minimal and do not have an impact on the food service budget.
- Respondents generally agreed that requiring vending and a la carte items to meet nutrient standards would have a very negative impact on sales. Respondents reported that a la carte and vending items must be compete with foods sold by other groups on campus and fast food restaurants outside the campus for students' dollars. This necessitates selling foods that are higher in fat and saturated fat than NSLP nutrient guidelines recommend. Many respondents did not want to negatively impact a la carte sales because they help subsidize production of the NSLP meals.
- One district surveyed has instituted nutrient standards for a la carte items. These standards are more stringent than the State's a la carte standards, have improved the quality of the a la carte foods sold in the district, and have allowed the district to maintain an adequate level of a la carte sales.

### **FOOD SERVICE EXPENDITURES**

#### **Food service spending:**

- Respondents spend between 35% and 50% of their total budget on food purchases.

- For many districts interviewed, labor costs are their single largest line item. Districts spend between 42% and 48% of their budget on labor.
- All but one food service department is charged an indirect or overhead fee by the district. This fee ranges from 1% to 5%. In addition to the overhead fee, a two districts are charged additional fees for the use of district facilities such as warehouse space or freezer space.
- A number of districts reported that food service funds are used to support salaries for district personnel who are not part of the food service department, but who routinely participate in food service related activities. Examples include secretaries, warehouse staff, and accounting and financial staff. District administrations justify these expenditures by stating that these personnel have food service related responsibilities. However, the responding food service directors have concerns that the amount of money provided for these positions was beyond the time actually spent on food service related duties.
- One respondent reported that the food service department has been called upon to pay for general district expenses such as unexpected building costs for new facilities or non-food service equipment repairs.

#### **Spending per meal:**

- The range of spending per lunch meal varied greatly among the surveyed districts, from \$.70 to \$2.50 per meal.

### **FOOD SERVICE MANAGEMENT**

#### **Food service directors' role in financial management of the food service department:**

- Most of the food service directors surveyed had primary responsibility for financial management of the food service. They were responsible for developing budgets and tracking income and expenditures.
- Most food service directors interviewed brought their budgets to a school business official for approval, who, in turn presented the budget to the school board. Food service directors agreed that as long as the food service department was operating in the black, this was a “rubber stamp” process, with little scrutiny or amendment.
- The smaller districts surveyed seemed more likely to give the school business official decision-making power regarding the food service budget.

#### **Food service income used to support student organizations:**

- Three of the districts surveyed have created arrangements in which food service shares profits with another group.
  - In one district, the Associated Student Body gets a percentage of sales from the food service run vending machines.
  - At another district, the high schools offer a “Club Cart” program. In this program, student organization members man food carts during lunch; the student organization earns \$25 per cart per lunch period. The food service determines the food items sold, which can range from salads and deli sandwiches to smoothies and cookies.
  - One district shares snack bar proceeds at the junior high with the Student Body Association. The food service and student body split proceeds 50:50.
- Two food service directors expressed strong opposition to allowing funds to leave the food service department. Specific comments include:
  - “100% (of revenues) stays in food service. They leave the food service alone. They know the impact if the food service is in the red.”
  - “Anything from food service stays in food service – that is the law. Districts do try to take money from food service, but the food service director can fight this. It is a constant battle.”

### **FOOD QUALITY**

#### **What impacts the types of foods sold:**

- Respondents agreed that labor costs have the greatest impact on types of foods sold. A number of respondents cited California’s high labor costs as significantly impacting the money available for food purchases. Other respondents complained that districts awarded a 10% salary increase to cafeteria workers without supplying the food service departments with additional funds to cover the increase. Food service departments were left to absorb the salary increase, often at the expense of the food budget.

- Given the limited level of state funding, a number of respondents stated that state funding had little impact on the types of foods sold. In contrast, two respondents reported that state funding allowed their district to purchase higher quality foods.
- Only two respondents mentioned commodity foods, and these respondents reported that the commodities program was a great help in procuring high quality foods. These districts were very happy with the foods available through the commodities program, and felt that commodities make a positive contribution to their food service program.
- One district had found that they were able to generate significant revenues through charging more for meals (they do not use free and reduced price meal subsidies to support paying students). This additional revenue has allowed the district to purchase higher quality food.

#### **What would it take to meet American School Food Service Association's standards for producing quality meals?**

Respondents were queried as to what it would take for their food service program to: 1) offer three or more lunch entrée choices daily, and 2) offer a fresh fruit or vegetable daily.

- Three of the districts surveyed already meet these standards.
- A few respondents reported that meeting the ASFSA standards was not dependent on money, but part of a larger problem. Districts have a hard time offering multiple entrée choices due to lack of kitchen facilities, lack of service facilities including cafeterias and seating areas, and insufficient time for the lunch period. One respondent complained that school administrators were not supportive of efforts to improve the quality of foods served; this respondent had stopped serving whole fresh fruits at an elementary site because the school principal thought the fruits took too long to eat and were too messy.
- Two respondents described how they had greatly increased the quality of meals served by returning to on-site food preparation and "cooking food from scratch." These food service departments were pleased with their success, which could be measured through increased participation in their NSLP programs, greater support from district administrators, and increased interest from parents and the community.
- Three respondents stated that increasing the amount they could spend per meal would improve the quality of the foods served. These respondents were consistent in the amount they felt would make a difference: \$0.50 to \$0.75 per meal.

#### **What are the barriers to serving quality meals?**

- Staffing and labor costs were mentioned as barriers by a number of respondents. Food service departments have a hard time finding skilled workers to prepare quality meals. Food service departments also find it difficult to pay their workers competitive salaries in California's economy.
- One respondent stated that getting the student's buy-in for healthy foods was a barrier, and that maintaining a wide variety of foods kids will eat is a challenge.
- Another respondent reported that the students were a barrier since they will not always buy healthy, high quality meals. This respondent suggested that the students need nutrition education so that they will buy healthier foods.

#### **RECOMMENDATIONS**

- Participation in the National School Lunch Program (NSLP) must be increased so that more students will be eating healthier meals. Higher funding needs to be available to food service departments to: 1) improve the quality of foods served, 2) market the NSLP to students, teachers, and parents, and 3) engage students in selecting the food items sold by the food service and developing menus for the NSLP.
- Institute nutrient standards for a la carte items that are consistent with current dietary guidelines and that maintain a la carte sales at adequate levels.
- Develop and institute school board policies that do not allow the sale of specific low-nutritive value foods (i.e. candy, soda) on school campuses.
- Give the district food service director authority over all food sales and revenues with regard to food sold on school campuses.
- Conduct an expanded School Food Service Finance Survey that would explore and monitor the impact of instituting stricter standards or eliminating the sale of competitive foods on school grounds, improving the quality of current foods sold, and increasing student participation rates. An evaluation monitoring system needs to be put in place to assess the feasibility, cost, and impact of the recommended changes.

