

4. SCHOOL MEAL FUNDING

The systems for funding the National School Lunch Program and the School Breakfast Program are complex. School food service directors must act not only as nutrition leaders, but also as leaders of a business enterprise within the school. They manage the sometimes-unpredictable flow of cash and USDA donated commodities, negotiate and oversee accounts with multiple vendors and budget for salaries and benefits, while aiming to “break even” or build up a cash reserve.

Almost universally, school food service directors find themselves competing for customers with student groups, clubs and others in the school community. Since funding (cash and commodities) is in direct proportion to the number of meals served, schools take steps to increase their participation through such means as Provision 2, Direct Certification and Universal Classroom Breakfast, as described in Section 2.3.

Support for the school meal programs comes from three sources—federal, state and local—in the form of food and cash. This section presents an overview of how much funding and in-kind support comes from each source, as well as how each pot of funding may be used. In addition, a diagram showing the breakdown of costs for a school food service program is provided.

4.1. FUNDING FOR CALIFORNIA'S SCHOOL MEAL PROGRAMS: A STATEWIDE OVERVIEW

Federal, state and local dollars pay for the National School Lunch Program and the School Breakfast Program Federal (shown in the yellow boxes below) and state (blue boxes) dollars flow to school districts. Schools may also generate revenue (orange boxes).

Federal	<p>General Cash Assistance (all meals) and Special Cash Assistance (free and reduced-price). Funds may be used for any aspect of school meal operation or improvement (including DOD produce), but not capital outlays.</p> <p style="text-align: center;">\$853,839,365 (preliminary 2003)</p>	<p>School Breakfast funds for all meals. Funds may be used for any aspect of school meal operation or improvement (including DOD produce), but not capital outlays.</p> <p style="text-align: center;">\$212,854,669 (preliminary 2003)</p>	<p>Entitlement and Bonus Commodities, either cash or in-kind. Funds may be diverted to DOD for fruits and vegetables, including the DOD Fresh (local produce) program.</p> <p style="text-align: center;">\$87,669,500 (includes \$6.8 million for DOD Fresh) (preliminary 2003)</p>	<p>State Administrative Expense. Funds may be used for state salaries, support services, equipment, monitoring, training and technical assistance, but not direct payments to schools. (Also CACFP & SFSP.)</p> <p style="text-align: center;">\$16,113,048 (FY 2003, estimate)</p>
State	<p>State Meal Reimbursement (known as the Moscone Nickel). Funds may be used for school meal operations or improvement, but not capital outlays.</p> <p style="text-align: center;">\$70,963,000 (2003-04 Budget)</p>	<p>Specialty Crop Funds. One-time funds used to support SB19 pilot programs (LEAF grants) in 2002-04 and some school gardens.</p> <p style="text-align: center;">\$4,000,000+</p>	<p>School Breakfast Start-Up Grants. These competitively available funds may be used for equipment, staff development and activities. Also may be used for the Summer Food Service Program.</p> <p style="text-align: center;">\$1,000,000</p>	
Local	<p>Income from reduced-price and paid lunches. Funds may be used for school meal operations or improvement, but not capital outlays.</p>	<p>A la carte sales. Funds may be used for school meal operations or improvement, but not for capital outlays.</p>	<p>Other, including equipment sales, catering, district contributions, interest and adult food sales. Funds may be used for any purpose.</p>	

4.2. SCHOOL MEAL FUNDING: PER MEAL GLANCE (2004-05)

Breakfast

Federal Reimbursement		Commodities	State Reimbursement	Local Payment	
Cash				Reduced-Price	Paid
<i>Basic</i>	<i>Severe Need</i>	None.	Free & Reduced-Price: \$.1343	\$.30*	Various
Free: \$1.23	Free: \$1.47		Paid: 0		
Reduced-Price: \$.93	Reduced-Price: \$1.17				
Paid: \$.23	Paid: \$.23				

Schools that served 40% or more lunches to children eligible for free or reduced-price meals two years prior to the current year receive the “severe need” meal reimbursement rate.

* Federal statute sets the maximum price for reduced-price meals; however, districts may choose to charge less or nothing.

Lunch

Federal Reimbursement		Commodities	State Reimbursement	Local Payment	
Cash				Reduced-Price	Paid
<i>Less than or equal to 60% FRP</i>	<i>Greater than 60% FRP</i>	\$.1617	Free & Reduced-Price: \$.1343	\$.40*	Various
Free: \$2.24	Free: \$2.26				
Reduced-Price: \$1.84	Reduced-Price: \$1.86				
Paid: \$.21	Paid: \$.23				

“FRP” is the percentage of free and reduced-price students, out of all students, within the school.

* Federal statute sets the maximum price for reduced-price meals; however, districts may choose to charge less or nothing.

4.3. SOURCES OF FUNDING (CASH & IN-KIND) FOR SCHOOL MEALS

- Federal Meal ReimbursementAlso known as “Section 4 & 11” funds, the federal funds for each meal served. Reimbursement amounts vary for free, reduced-price and paid meals. Funds may be used only for school meal operationd or improvement (including DOD produce), but not capital outlays.
- Entitlement CommoditiesOne group of commodity foods provided by the federal government. School districts receive a set value of entitlement commodities based on the total number of school lunches served the previous year. The California Department of Education has the option of rejecting items offered by USDA through the entitlement commodities program. School districts may order entitlement commodities at 5 set times during the year. Districts pay \$2.70 per case for shipping and handling. At least 60% of entitlement commodities must be determined by USDA to be agricultural surplus. School districts may divert some of their entitlement commodities allocation to the Department of Defense fruit and vegetable purchasing program.
- Bonus CommoditiesOne group of commodity foods provided by the federal government. Bonus commodities are derived solely from agricultural surplus; therefore, the amount or type of bonus commodities is not guaranteed and there is no set number of offerings per year. Offerings are made when USDA declares a product in surplus. The California Department of Education has the option of rejecting items offered by USDA through the bonus commodities program. Bonus commodities ordered by a school are not counted against a district’s entitlement. Districts pay \$2.70 per case for shipping and handling.
- State Meal ReimbursementIn 1974, California began to supplement the federal reimbursement for free and reduced-price meals. Often called the “Moscone Nickel,” the value in 2003-04 is \$.1343 per meal. According to California Education Code §49536, the value of the Moscone Nickel “shall reflect the changes in the cost of operating a school breakfast and lunch program and shall be made on July 1 of each year.”

Department of Defense (DOD)

Purchasing Program.....Begun in 1994, a federal program that allows school districts to take advantage of the purchasing power and infrastructure of the DOD to purchase fresh fruits and vegetables. School districts use federal meal reimbursement or entitlement commodity dollars for the program. Currently, the DOD program is capped at \$50 million nationally; states get their “fair share” of this amount. Districts pay \$2.70 per case for shipping and handling. A subset of the program, begun in 1996 and known as “DOD Fresh,” focuses on purchasing from local farmers.

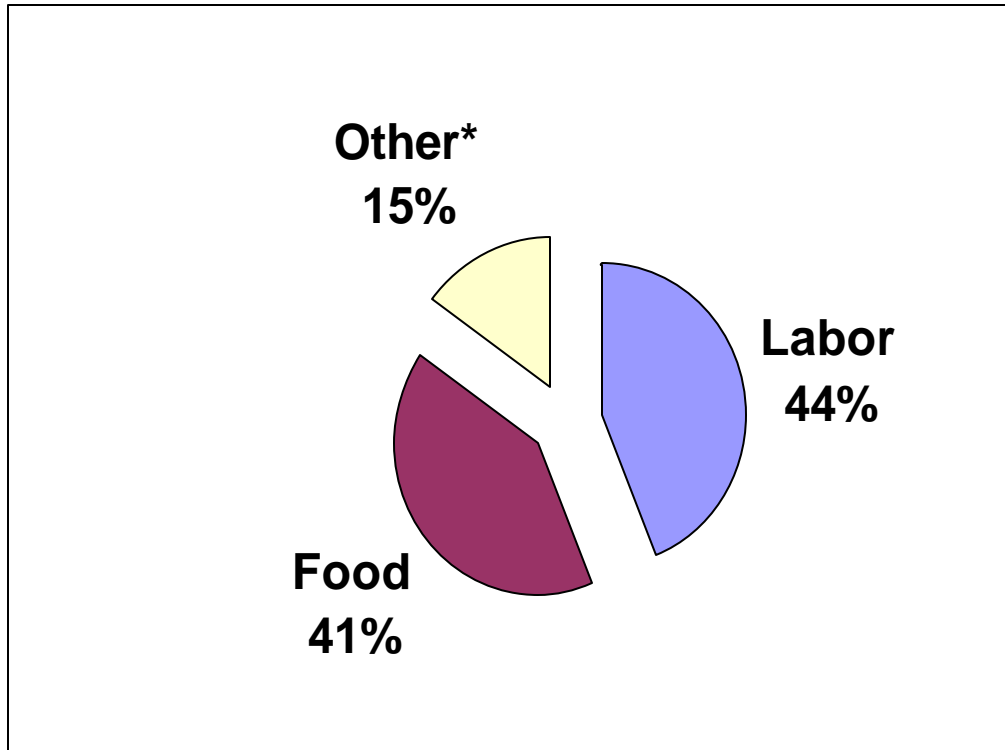
State Administrative ExpenseUSDA provided California’s Department of Education with approximately \$16 million in State Administrative Expense funding in FY 2003 to administer both the school meals and the Child and Adult Care Food Program. (The state receives additional SAE funds to administer the Summer Food Service Program.) These funds, which vary annually, may be used for state administrative costs, including salaries office equipment and monitoring, training and technical assistance for local program operators.

School Breakfast Start-Up & ExpansionState funds provided to school districts to launch or expand the School Breakfast Program and/or the Summer Food Service Program. Funds may be used for equipment, outreach/promotion and certain staff development activities. The 2003-04 state budget allocated \$1 million for this purpose.

Local Funding Sources.....Schools may supplement their school food service account with revenue generated from a la carte sales, catering, adult food sales and district funds.

4.4. THE COSTS OF OPERATING A SCHOOL FOOD PROGRAM

In 2003, the GAO received data about school food service expenditures from six states. Although California was not included, the information is provided here to give some estimate on these costs.



“Other” expenses include contract services and capital expenditures.
Source GAO 03-569.

The Cafeteria Budget is separate from the school district’s General Fund. However, the two funds may interact:

- *Encroachment* occurs when General Fund dollars are used to pay into the Cafeteria Fund in the event of a shortfall.
- *Contributions* occur when General Fund dollars are used to pay for a one-time expense. For example, school districts may use General Fund dollars to pay for major renovations.
- *Indirect Support Costs* are costs paid by the Cafeteria Fund into the General Fund. For example, some school districts allocate a portion of the electricity and other maintenance costs to the Cafeteria Fund for payment into the General Fund.