



## **Position Statement: Child Nutrition Program Finance**

The California School Nutrition Association (CSNA) supports legislative efforts to improve the well-being of the children of California. Child Nutrition Programs work as partners in the education community to provide healthy meals to all children in order to improve student health and academic achievement. It is the intent of CSNA to work to secure the best possible environment for learning, physical health and safety within the school setting.

### **Position Statement**

*The California School Nutrition Association supports improved funding for child nutrition programs. Financial support for school nutrition programs is inadequate. Costs for food, supply, equipment, and labor are increasing more rapidly than the state and federal meal reimbursement rates are adjusted, jeopardizing school meal programs.*

### **Child Nutrition Programs in California**

School meal programs currently in operation in California include the National School Lunch Program, School Breakfast Program, After School Snack Program, Special Milk Program, Child and Adult Care Feeding Program, Summer Food Service Program, The California Fresh Start Program, and the State Meal Program. Child Nutrition Programs are administered at the federal level by the United States Department of Agriculture (USDA), Food and Nutrition Service. At the state level, programs are administered by the California Department of Education, Nutrition Services Division, through agreements with local school food authorities. Local school district employees operate programs at the district level.

### **Child Nutrition Program Funding**

Child Nutrition Programs receive funding from federal, state, and local sources. State and federal meal reimbursements are paid on a per meal basis for meals served that meet USDA menu requirements.

### **Federal Funding Sources**

The National School Lunch Program is a federally assisted meal program operated in public and nonprofit private schools and residential childcare institutions. It provides nutritionally balanced, low-cost or free lunches to children each school day. Federally appropriated National School Lunch Program funds are available to each state agency to reimburse participating public and nonprofit private schools for lunches meeting the nutritional requirements prescribed by the United States Secretary of Agriculture served to eligible children. Schools meeting eligibility

criteria may be reimbursed for meal snacks served to children enrolled in after school care programs. Participating schools are reimbursed at rates that are adjusted annually to reflect changes in the Food Away From Home series of the Consumer Price Index for All Urban Consumers. Schools that served 60 percent or more free or reduced price lunches in the second preceding school year received an additional \$0.02 per meal general cash assistance for all lunches served.

*Meal Reimbursement*

School meal programs operate on a reimbursement basis, with the local school food authority paid by the number of meals served. Federal reimbursement is paid on all free, reduced price, and paid meals. Agencies submit a monthly reimbursement claim form to the California Department of Education for payment.

Federal Program	Paid Meals	Reduced Price Meals	Free Meals
National School Lunch Program: agencies that serve 60% or more needy meals	\$ 0.25	\$ 2.02	\$ 2.42
National School Lunch Program: agencies that serve less than 60% needy meals	\$ 0.23	\$ 2.00	\$ 2.40
After School Snack Program	\$ 0.06	\$ 0.32	\$ 0.65
Basic School Breakfast: agencies that serve less than 40% needy meals	\$ 0.24	\$ 1.01	\$ 1.31
Especially Needy School Breakfast: agencies that serve 40% or more needy meals	\$ 0.24	\$ 1.26	\$ 1.56

Data for SY 2006-07

*Commodity Entitlement*

In addition to cash reimbursements, schools are entitled by law to receive commodity foods, called "entitlement" foods, at a value of \$0.1675 (SY 2006-07) for each reimbursable meal served. Schools can also get "bonus" commodities as they are available from surplus agricultural stocks that do not count against their annual entitlement. The entitlement is adjusted annually to reflect changes in the Price Index for Food Used in Schools and Institutions. Agencies pay for shipping and handling charges for commodity delivery.

**State Funding Sources**

*Meal Reimbursement*

State reimbursement is paid for all free and reduced price meals served. Agencies submit a monthly reimbursement claim form to the California Department of Education for reimbursement.

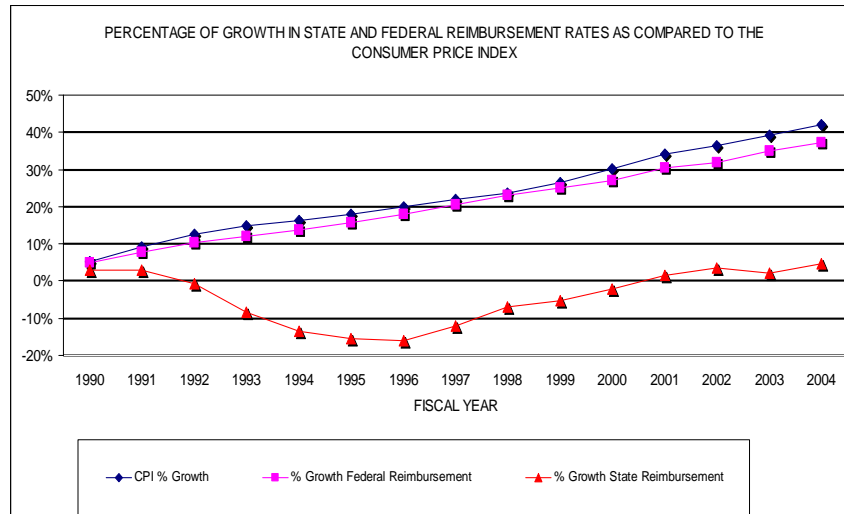
Program	Paid Meals	Reduced Price Meals	Free Meals
National School Lunch Program	\$ 0.00	\$0.21	\$0.21
School Breakfast Program	\$ 0.00	\$0.21	\$0.21

Data for SY 2006-07

State meal reimbursement began in California in 1975, described in Education Code Section 49550, as a result of the enactment of Senate Bill 120, Chapter 1277/1975, Child Nutrition Facilities Act of 1975.

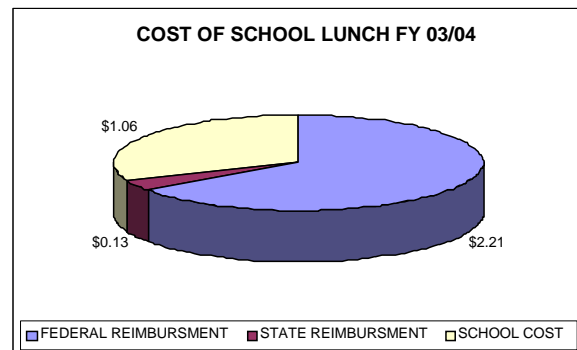
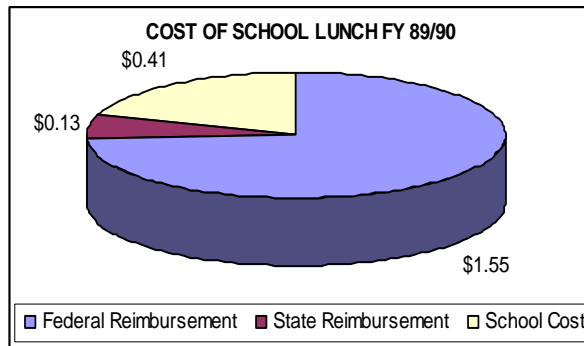
Comparing the funding received for school meals to the cost of living rate over the past ten years shows that, while federal funding increases have kept up with the cost of living, state funding has

fallen short.<sup>1</sup> State reimbursement has at times decreased in order to balance the state's budget, making it difficult to sustain quality school meal programs.



Source: California Department of Education

A lack of increase in state funding is causing schools to absorb the extra cost of providing meals to students. The cost to schools has more than doubled over the past fifteen years. In SY 1989-90 the additional cost to the school district was \$0.41 and in SY 2003-04 it had raised to \$1.06. State funding remained the same in SY 2003-04 at \$0.13 as it had been fifteen years prior in SY 1989-90.



Source: California Department of Education

### Meals for Needy Pupils

Only about one-third of California's school districts receive Meals for Needy Pupils money. The funding goes to districts that opted to collect extra property taxes in the 1977-78 school year to support cafeteria programs for needy children. After Proposition 13 eliminated the ability of local school boards to levy such taxes, the state continued to provide the matching amount of money to those districts through the revenue limit process. The money is provided on a per meal basis, and doesn't change except for cost-of-living adjustments. Districts can spend the revenue however they wish and, consequently, many districts do not utilize this funding for cafeteria expenses.

### *State Meal Program*

California Education Code Section 49550 which resulted from the enactment of Senate Bill 120, Chapter 1277/1975, Child Nutrition Facilities Act of 1975, requires all public school districts and county superintendents of schools to make available, free or at a reduced price, one nutritionally adequate meal to each needy student every school day. A needy student is one who qualifies for free or reduced price meals, according to specified family size and income standards. This requirement is commonly referred to as the "state meal mandate."

## **Local Revenue Sources**

### *Cash for Meals*

School districts charge for reduced price and paid meals served to students and staff. Federal statute requires that reduced price eligible students pay no more than \$0.30 for breakfast and \$0.40 for lunch. School districts can set the price for paid meals and other food prices as the local market will bear.

### *A la Carte Sales*

A la carte offerings compliment and add variety to school meals. The sale of additional foods also assists school meal programs in compensating for the lack of financial support from meal reimbursements. Senate Bills 12 and 965, when implemented in 2007, will restrict the sale of certain foods and beverages from a la carte offerings by imposing nutrition quality standards on individual foods. When school organizations sell foods competitively with the school meal program, revenues are decreased to the Cafeteria Fund.

### *Vending and Catering*

Vending machines represent a fast and effective way to provide additional choices to students. They also provide additional revenue to the Cafeteria Fund with low maintenance and minimal food preparation time. When school organizations operate vending machines in competition with school meal programs, income is decreased to the Cafeteria Fund. Catering revenues offer another source for additional income to the Cafeteria Fund utilizing existing trained personnel, equipment, and resources.

## **Costs Associated with Child Nutrition Programs**

School meal program budgets must often be completely self-supporting and some are expected to earn revenue in excess of costs. Federal and state regulations promulgate allowable expenditures for the Cafeteria Fund. Cafeteria Fund monies may be used only for expenditures necessary for the operation of child nutrition programs.

### **Direct Costs**

Direct costs are expenses that can be charged directly as part of the cost of a program or service to a program. Typical direct costs that are charged directly to the Cafeteria Fund include salaries, employee benefits, food, laundry, equipment repair and maintenance, and food service equipment.

*Food, Supply, Equipment:* Costs for food, supply, small equipment, equipment replacement, utilities, laundry, equipment repair, facility rental, travel, hot water heaters, and similar direct expenses are included.

*Salaries and Benefits:* All salaries and benefits (health, welfare, and retirement) for personnel involved in the administration, supervision, bookkeeping, food preparation and meal service, and custodial services.

*Transportation and Facility:* Expenses involved in the transportation of food or services, such as delivery vehicles, fuel and maintenance. Facility costs include building rentals, storage costs, and warehousing, but do not include costs such as building alterations, floors, roof, ceiling tiles, communication systems, air conditioning, or burglar alarms.

*Capital Outlay:* Costs for new and/or replacement of outdated equipment, computerization costs, and modernization of school sites often is not funded through district sources and child nutrition programs must bear the cost.

### **Indirect costs**

Indirect costs are costs of general management that are agency-wide and include costs that are necessary for the general operation of the agency. These costs are levied to the Cafeteria Fund by the school district. The indirect cost levy is calculated by applying the applicable indirect cost rate to the total expenditures (Objects 1000 – 6000) of the Cafeteria Fund. Indirect cost rates vary from district to district, but the same base formula is used in the calculation. Assembly Bill 1643, Chapter 690/1993 requires that “*a foodservice department shall not be charged more than once for expenditures for the same service. If a food service program is being charged for a service as a direct cost, the school district shall not also allocate that cost as a direct support cost or indirect cost.*”

### **Current Issues**

#### *Financial Support Inadequate*

Financial support for school nutrition programs must be improved. Costs for food, supply, equipment and labor are increasing more rapidly than the state and federal meal reimbursement rates are adjusted. Federal reimbursement rates are universal throughout the contiguous 48 states. Disparity occurs when states, such as California who have high prevailing employee costs, must live within these rates without consideration of extreme economic conditions.

#### *Cost of Living Adjustments*

Due to the nature of funding streams, Child Nutrition Programs **do not** receive COLA increases for salaries and benefits as do all other education programs in the district. COLA increases over the last several years, although intended to reach the Cafeteria Fund, are used for certificated and other classified salaries, benefits, and other educational program costs. The Cafeteria Fund must use existing revenue sources to fund child nutrition program salary and benefit increases.

#### *Access to Cafeteria Fund Ending Balances*

Access to Cafeteria Fund ending balances was addressed in the 2003 budget bill (AB 1754 - Chapter 227/2003). Many California school meal program ending balances were transferred into district general fund accounts as a result of this bill.

#### *Increase in Indirect Costs*

School meal programs are experiencing an increase in the levy of indirect costs as school districts deal with the recent decrease in financial assistance from state revenue limit funding. School districts cannot charge more than once for expenditures for the same service. If a cost is paid directly by the food service account, it must not be included in the indirect cost levy.

### *Competitive Food Sales*

Some schools allow organizations other than the food service department to sell food in competition with federal and state meal programs through student stores, snack bars, and/or vending machines. This results in decreased student participation in federal and state programs and has implications for the overall viability of the program. Declining participation results in decreased cash and commodity support from USDA for school meals, further undermining student participation in federal and state programs, which are a substantial investment by the school district. Revenue from all food sales on school campuses should accrue to the Cafeteria Fund.

### **Response for Change – Recommendations**

1. Improve funding for child nutrition programs to ensure that healthy meals are available daily for California's school children.
2. Provide financial assistance to schools for the purchase of food service equipment necessary for the preparation and service of school meals.
3. Maintain funding earmarked for child nutrition programs so it cannot be diverted or seized by local school authorities.
4. Limit direct and indirect costs that can be charged to child nutrition programs.
5. Eliminate or limit food sales by student organizations on school campuses by enforcing current state and federal statute.
6. Strengthen statutory language to ensure that revenue from all food sales on school campuses accrue to the Cafeteria Fund.

Good nutrition is vital to the physical well-being and academic success of California's children. Child Nutrition Programs must receive adequate financial support as costs for food, supply, equipment, and labor are increasing more rapidly than the state and federal reimbursement rates are adjusted. It is essential that Child Nutrition Program financial resources are utilized efficiently and appropriately.