

Analysis of Becker Food Service Participation in NSFP

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Each year school districts indicate to the state Department of Education if they are going to participate in the National School Lunch Program. Nationwide there has been a trend of schools deciding not to participate in the program because of customer dissatisfaction with the new nutritional standards. In Minnesota only one high school has decided to discontinue participation in the program, and within that district all of the other schools still participate in the National School Lunch Program. School districts must carefully evaluate the financial impact of not participating in the program. If schools choose not to participate in the National School Lunch Program, all state and federal reimbursements for meals served are discontinued, all USDA Foods for that district are discontinued, and districts must plan to provide meals to students receiving free or reduced-price meal benefits. The district must still continue to collect and process free and reduced benefits applications from families, because there are other sources of district revenues and reimbursements that are associated with those numbers.

School Nutrition Programs are complicated departments that have strict menu planning regulations but also must cover all operating expenses including many indirect costs associated with producing students' meals. The food service is required to meet the students' nutritional needs, but also to prepare meals that are appealing to students in order to continue high participation rates. The Becker Public School District is similar to most school districts in that it is seeing a decrease in revenues due to declining student participation, and an increase in expenses. Students and parents are expressing their dissatisfaction with the district's meal service program and are requesting more food or different options for students. This section will provide an overall review of the financial impact the Healthy, Hunger-Free Kids Act has had on participation, revenues, product costs, and the potential of the district to discontinue participation in the National School Lunch Program.

School Nutrition Programs must remain as a non-profit. All services provided must directly benefit the students with any additional revenue used for operation of the school food service department. The School Nutrition Program reserves cannot exceed three months of average expenditures in the net cash fund. If a school has net cash resources of greater than three months, then the district must spend that money on food service related expenses such as equipment, food, or other small ware supplies. If the food service has a deficit, then the money must be transferred from the district's general fund if the food service department is unable to recover the costs. Districts are able to transfer indirect costs of the food service department such as custodial services, electricity to operate the kitchen, internal transportation costs of delivering food, and other similar costs back to the food service department.

Participation Rates

School districts nationwide have seen a decline in participation rates, especially in students who pay full price for meals. Nationwide there has been a 1.9% decrease during the 2013-2014 school years and a 4.31% decrease when compared to the 2011-2012 school year (School Nutrition Association, 2014). Becker Public Schools has seen a 10.4% decrease in 2013-2014 school years and 8.8% decrease in 2011-2012 (Table 1). The largest decrease in participation was seen at the High School, followed by the Intermediate and Middle Schools. The High School and Middle School students have spent more dollars

at a la carte due to the lack of nutritional regulations for that venue and no restrictions on the number of meal items the students can purchase. In the 2014-2015 school year, the district is reporting a significant decrease in Middle School and Intermediate Schools participation while Primary School participation has increased. The addition of all day every day kindergarten is one explanation for the Primary School's increase.

Table 1

Summary of Total Participation at Becker Public School District by School Year

School Year	Total Meals Served	Total Possible Meals	Participation Percentage
2011-2012	353,638	475,157	74.4%
2012-2013	337,877	443,012	76.2 %
2013-2014	310,035	470,581	65.8%

In addition to the total decrease in participation, the district must also evaluate the number of students who have been approved to receive free or reduced-price meals. These two categories are important because of the increased federal reimbursements. Each year the federal government publishes the federal reimbursement rate for schools with severe need (greater than 60%of students receiving free and reduced-price meals) and non-severe need (less than 60%of students receiving free and reduced-price meals). Becker Schools is in the non-severe need category since the total number of students receiving free or reduce-price meals was 17.7% for the 2014-15 school year, 19.3% for the 2013-2014 school year, and 20.2% for the 2012-2013 school year. Table 2 shows the number of meals that were served each school year to students qualifying for free or reduced-price meals. The data shows that the percentage of meals served to students receiving free or reduced-price meals has not significantly changed since 2011. The total number of meals has continued to decrease, thus demonstrating that all groups of students are dissatisfied with the menu selections. The decrease in number of students qualifying for free or reduced-priced meals may also be an economic indicator that more parents are working and are above the 185%percent of poverty threshold, thus ineligible for free or reduced-priced meal benefits.

Table 2

Participation at Becker Public School District by Lunch Category

School Year	Free Meal Served/%	Reduced Meal/%	Paid Meal Served/%	Total Meals Served
2011-2012	59,687 (16.8%)	20,623 (5%)	273,328 (77.3%)	353,638
2012-2013	59,640 (17.7%)	19,173 (5.7%)	259,064 (76.7%)	337,877
2013-2014	53,451(17.2%)	21,005 (6.8%)	235,579 (76%)	310,035

Food Service Expenses

Food Service is responsible for ordering all food, milk, supplies, and other products necessary to produce the student meals. This department also has separate labor and benefit budget lines specific to producing the students' lunches. Becker Public Schools' cost per student meal for the 2013-2104 school year were: \$0.83 food cost, \$0.18 milk cost, \$1.01 labor cost, \$0.35 benefit cost, and \$0.25 other supply costs, with a total overall cost per meal of \$2.62. The school district spent \$0.43 less per meal than the State of Minnesota average, thus indicating that some higher quality more expensive entrée items might be necessary to stop the declining participation rates the district is experiencing. All the other expense budget lines were similar to the State of Minnesota averages except for other supply costs. The district student meal prices for the 2013-2014 school year were \$2.05 for elementary students, \$2.15 for middle school students and \$2.20 for high school students, thus indicating a deficit in operating expenses. Table 3 shows how Becker Schools compare to the Minnesota average.

Table 3

Comparison of Becker Public Schools to State of Minnesota Averages

Item	Becker Public Schools	Minnesota Average
Food Cost	\$0.83	\$1.26
Milk Cost	\$0.18	\$0.19
Labor Cost	\$1.01	\$1.09
Benefit Cost	\$0.35	\$0.35
Supply/Other	\$0.25	\$0.55
Total Cost	\$2.62	\$3.28

Data for State of Minnesota obtained from Minnesota Department of Education Website, FY 2013 School Financial Report <http://education.state.mn.us/MDE/SchSup/FNS/SNP/FinanMgmt/index.html>

The food cost totals (both Becker and the State of Minnesota) in the above table do not include USDA Foods received by the district, since those dollars are essentially free to the district while participating in the National School Lunch Program. Becker Public Schools received \$69,049 from USDA Foods in 2013-2014 school year. The additional cost of the USDA Foods that Becker Schools used is equal to an additional \$0.23 per meal for the 2013-2014 school year. The overall food cost including the USDA Foods would be \$1.06 per meal which is still less than the State of Minnesota average. The percentage of cost that the district incurred from fresh produce, canned fruits, and frozen vegetables was not calculated; however, the total number of different types of fruits and vegetables has increased since 2011. According to the CPI for All Urban Consumers the price of food has increased 3.1% in 2014 with the greatest increase occurring in dairy, cereal, bakery, meats, poultry, fish, and eggs (U.S. Department of Labor, 2014). These price increases are expected to continue in 2015, which will also impact the Becker Public Schools' product costs.

Revenues

The overall financial health of the food service department has been limited since the passage of the Healthy, Hunger-Free Kids Act. Revenues have been relatively stable until the 2013-2014 school year, when the district experienced 6.3% decrease. According to the district's financial data, overall revenues were \$1,146,550 in 2011-2012; \$1,219,513 in 2012-2013; and \$1,142,179 in 2013-2014. The decrease in 2013-2014 could be associated with the decrease in students who pay full price for lunches, as well as overall declining participation rates. The revenue for a la carte sales has steadily increased since the implementation of the Healthy, Hunger-Free Kids Act. According to financial data revenue for a la carte revenue was \$136,636 in 2011-2012; \$153,638 in 2012-2013; and \$174,017 in 2013-2014. The increase in a la carte sales helps offset some of the losses experienced by the traditional hot lunch program. Previous years' purchases of a la carte items indicate that this program was more consistent with student food preferences; however, the impact of the new nutritional regulations for a la carte will need to be monitored with the 2014-2015 financial information because most of the menu selections have changed. Even though aspects of the a la carte program have changed, the program has continued to sell chips, granola bars, and whole grain bakery items that are very popular with the students. Overall the profitability of the Food Service Department has been limited. The food service department experienced a loss in 2011-2012 and 2013-2014 school years. The largest loss was in the 2013-2014 school year, when the department lost \$115,501 that must be recovered in the 2014-2015 school year or transferred from the district's general fund. In the 2012-2013 school year the district's overall food service profit was \$1,218, thus indicating the difficulty in meeting the rising costs of preparing student meals since the implementation of the Healthy, Hunger-Free Kids Act.

Table 4

Total Revenue for Becker Schools

School Year	All Revenue From State and Federal Reimbursements	A la Carte Revenue	Total Revenue
2011-2012	\$1,009,913	\$136,637	\$1,146,550
2012-2013	\$1,065,875	\$153,638	\$1,219,513
2013-2014	\$968,162	\$174,017	\$1,142,179

Finally the district receives state or federal reimbursement dollars for the kindergarten milk program and School Breakfast Programs, which have not been previously discussed but need to be considered in the financial analysis and are included in the all revenue column of Table 4. These programs have state and federal reimbursement rates that would contribute to the district's overall revenue sources. The 2014-2015 reimbursement rates per meal are: State of Minnesota kindergarten milk-\$0.20, State of Minnesota kindergarten breakfast-\$1.30, State of Minnesota reduced breakfast-\$0.30, State of Minnesota paid breakfast- \$0.55, federal government paid breakfast-\$0.28, federal government reduced price breakfast-\$1.32, and federal government free breakfast-\$1.62. These revenue sources would also be eliminated with the discontinuation of the National School Lunch Program participation.

Financial Analysis

If the school district chooses not to participate in the National School Lunch Program it will lose all state and federal revenues for any or all of the schools. Students who qualify for free meals have no charges for lunch and those qualifying for reduced-price meals are required to pay \$0.40 per meal. The first source of revenue that would be lost would be the free and reduced-price meals reimbursements. The reimbursement rates for 2014-2015 school year are \$3.04 per meal for students receiving free lunch, \$2.62 per meal for students receiving reduced meals, and \$0.34 per meal for students receiving paid meals. All the above stated rates include the additional six cent reimbursement for meeting the new nutritional guidelines as stated in the Healthy, Hunger-Free Kids Act (National Average Payments/Maximum Reimbursements, 2014). The Becker School District received \$193,329 in federal reimbursements in school year 2011-2012; \$190,151 in school year 2012-2013 ; and \$178,483 in school year 2013-2014. Without these reimbursements the district will need to fund this amount from the general fund, food service fund, increased student prices, or other sources of revenue.

The next source of funding that would be eliminated would be state funding. These are additional dollars that the State of Minnesota contributes towards operation of the food service department according to federal law. In the 2014-2015 school year, the State of Minnesota pays an additional \$0.40 per meal reimbursement for students who qualify for reduced-price meals. Becker Schools received \$42,437 in 2011-2012 school year, \$40,545 in 2012-2013 school year, and \$37,304 in 2013-2014 school year. These funds would be funds that the district would need to cover. The district would also lose the state reimbursements for school breakfast program

Finally the district receives USDA Foods annually for all the schools. The value of USDA Foods received is based on the number of meals served the previous school year multiplied by \$0.20. Becker received \$48,437 in 2011-2012 school year, \$87,126 in 2012-2013, and \$69,049 in 2013-2014 school year, according to the USDA Foods Received for the Auditor report from the Minnesota Department of Education (2014). Becker Schools is expected to order \$79, 484 in USDA Foods, and of this amount \$35,000 will be spent on fresh produce through the Department of Defense Fresh Fruits and Vegetables Program. Not included in these figures are delivery and storage fees that must be deducted from the benefit. The discontinuation of the USDA Foods program would result in additional \$0.23 food cost for 2013-2014, \$0.20 food cost for 2012-2013, and \$0.10 food cost for 2011-2012 school year. If the district decides to discontinue participation, these would be additional funds the district will spend.

Decision Making Process

Considering whether to discontinue participation in the National School Lunch Program is a difficult process that must be carefully evaluated by any district and discussed openly with all stakeholder groups. This discussion may also include involving an outside consulting firm to guide the district along the decision making process. The outside support may assist in removing barriers between the different stakeholders and providing support to the district in objectively evaluating all of the data.

Whether to continue participation is primarily a financial decision but it is also a customer satisfaction decision. As discussed, there are many stakeholders that affect the viability of the school lunch program. Currently, students and parents have expressed their dissatisfaction with the current nutritional regulation by purchasing fewer meals in the traditional hot lunch program. Students are requesting more choices, flavorful menu items, and additional calories to help them feel full after consuming lunch.

The students are clearly demonstrating their purchasing power by not eating traditional hot lunch items as demonstrated by the significant reduction in revenue and participation rates for 2013-2014.

In addition to the financial implications caused by student dissatisfaction with the current menu options, the district must also evaluate the food services' mission and vision. These discussions must include students, parents, district staff, and community to ensure that all opinions are heard and thoroughly evaluated. Surveys will need to be completed with students to determine the nature of their dissatisfaction with the menu selections, and students must be educated that there are still limitations on what menu selections can be offered. In addition to student input, parent feedback is vital to ensure that the district understands what parents expect regarding meal selections and what is a reasonable price to pay for the increased amount of food. The parent and student surveys must also include questions regarding their nutritional expectations for the menu selections. Besides surveys, the district must have open discussions regarding the expectations and financial implications of this change. School districts may benefit from having one school discontinue participation (as occurred in a district in Wayzata, Minnesota).

In addition to the discussion with parents and students, district staff including the teachers and food service personnel must also be given opportunities for input into any proposed changes to the food service program. These discussions must include a risk/benefit analysis, evaluation of current food service processes and what must be modified, how the current staffing levels would be modified, and how the changes would affect the morale of the food service staff. All decision makers and stakeholders must be included and must support the entire process in order for it to be successful. The school board may be the first place to start, in order to determine how much support exists for this process. A cost analysis is below:

	2014-2015 Current Paid Meal Rates	Meal Prices without NSFP
K-5	\$2.15	\$3.87
MS	\$2.25	\$3.97
HS	\$2.30	\$4.02

Lunch Funding Lost

Federal	\$298,041
State	\$47,156
Commodities	\$71,308
	<u>\$416,506</u>

