What does it mean to influence vending contracts?

Vending contracts give food and beverage companies selling rights in return for cash and non-cash benefits to the school or district. Schools and school districts can influence vending contracts in several ways. They can cancel contracts, not sign contracts, not renew contracts, or negotiate contracts that encourage healthy eating.

Many existing vending contracts require schools to allow the marketing of products high in added fats and sugars. Others provide incentives for schools to encourage their students to choose those products. Following are some of the provisions that have been found in school vending contracts.[7,46,47]

- A commission that increases with sales volume; in some contracts, the commission is higher for certain types of products than for others.
- Bonuses paid when sales pass a specified quota.
- Lump sum payments independent of sales volume (known as "sponsorship fees" or "incentive monies").
- Provision of non-cash benefits such as class parties, sponsorship of field trips, equipment, and scoreboards with company logos or ads for specific products.
- Specifications on the number of vending machines installed on campus, where machines are located, when they are open for use, the types of products offered, the costs of the various items to be sold, and the images on the front of machines.
- Opportunities for the company to advertise its products on campus through free samples, promotional products, and additional signage.
- Exclusivity clauses that forbid the school or district from selling any competing products on campus.
- Confidentiality clauses so that the contents of the contract remain private.
- Contract length (in some cases, 10 years or longer) and the conditions for terminating or revising the contract.

What are the benefits of and concerns about vending contracts?

School food and beverage contracts have become one of the most controversial issues in school governance, as can be seen in Table 6, which summarizes perceived concerns and benefits.[48-50] Companies promote vending contracts because they can:

- Increase sales,
- Promote product loyalty, and
- Develop climates favorable to their products.[7]

Table 6. Vending contract issues

Issue	Perceived concern	Perceived benefit
Profit	Raises money at the expense of students' nutrition habits	Provides a source of money that involves relatively little labor and time, with local control over profits
Education	Contradicts nutrition and health messages taught in classrooms	Allows the purchase of equipment, supplies, and products for student education, athletics, and extra-curricular activities
Commercialization	Contributes to the over-commercialization of school	Reflects real world conditions
Choice	Influences students who are ill-equipped to evaluate persuasive messages	Allows students to make decisions in a real world context

What is the current situation?

CDC's School Health Policies and Programs Study (SHPPS)[36], conducted in 2000, reported that half of U.S. school districts had contracts that gave a company rights to sell soft drinks. Among these districts:

- 79 percent received a specified percentage of the soft drink sales receipts,
- 63 percent received incentives such as cash awards or donations of equipment or supplies once receipts totaled a specified amount,
- 35 percent allowed the company to place advertisements on school buildings, and
- 43 percent allowed the company to place advertisements on school grounds.

A 2003 survey by the Texas Department of Agriculture[41] found that 52 percent of Texas's school districts had exclusive contracts with soft drink companies. The estimated total annual revenue from the contracts was over $54 million, including both cash receipts and the value of non-cash benefits. Non-cash benefits included scoreboards, scholarships, computer software, sponsorship of athletic events, and merchandise, such as trophies, sports bags, clocks, soft drinks, tanks of pre-mix for soft drinks, hats, equipment for booster clubs, movie tickets, and fountain drink dispensers. All merchandise was prominently branded with company logos.

The Texas survey concluded:

> ***The funds and other benefits received from these contracts are not regulated and may be used at the discretion of local school district officials. This is not 'free'***

money because it comes directly from the pockets of students and the family income of their parents.[41]

A 2000 report by the U.S. General Accounting Office (GAO) on commercial activities in schools[7] found that revenue derived from beverage contracts represented a very small percentage of the overall budget of school districts. Income varied considerably in the six schools in the study with contracts, but four of the six made less than $7 per student per year.

The effect of vending contracts on product sales is not widely documented. A Florida school district reported a 75 percent increase in sales by the end of the second year of its vending contract, mostly of soft drinks and high-sugar fruit and sport drinks.[51] School vending accounts for approximately one percent of the total revenue of beverage companies.[52, 53]

What actions can schools take to influence food and beverage contracts?

In recent years, some schools and school districts have rejected food and beverage contracts altogether. For example, the school board in Sacramento, California, rejected a multi-million dollar contract after parents expressed concern about its nutritional implications.[46] Madison, Wisconsin, one of the first school districts in the country to sign an exclusive vending contract in 1997, became one of the first not to renew a contract in 2000 because of nutrition concerns.[54]

An alternative approach has been to negotiate with vendors so that contracts include provisions that promote healthful choices (see the success story from Fayette County Public Schools, page 59). For example, contracts might include:

- Incentives for the sale of nutritious beverages
- Limits on advertising for less nutritious products
- Allowances for contract renegotiations if conditions change
- School decision-making in product placement, hours of service, and prices.

The North Carolina School Nutrition Action Committee (SNAC) developed guidelines to help schools address nutrition concerns in contract negotiations, (*www.asu.edu/educ/epsl/CERU/Articles/CERU-0203-41-OWI.pdf*). They suggest that vending contracts include guidelines to increase the availability of healthful beverages, so that 100% fruit or vegetable juice, low-fat and skim milks, and bottled water are readily available throughout the day at attractive prices.

How are soft drink companies responding?

Soft drink companies have adopted new policies on school-based contracts. In November 2003, the Coca-Cola Company and its U.S. bottling system issued their Model Guidelines for School Beverage Partnerships[55] with the following specifications:

- Schools have the right to choose which beverages to make available.
- Coca-Cola will not sell carbonated soft drinks in elementary schools during the school day.
- Juices, water, and other products will be available wherever soft drinks are sold.
- Water will be sold at the same price and in comparable packaging as soft drinks.
- Schools will decide the use of logos and signage.
- No logos will be placed on textbooks, instructional materials, or book covers.
- New vending machines will feature images of noncarbonated beverage choices, physical activity, or educational activities.
- Product promotions and programs will be responsive to school wishes and will support only academic achievement or physical activity.

PepsiCo's Health and Wellness Philosophy makes a commitment to "offering healthy product choices in schools, by developing healthy products that appeal to kids and by promoting programs that encourage kids to lead active lives."[56] PepsiCo states that it allows schools to choose their own products and advises bottlers not to sell carbonated drinks in elementary schools.[57]

How are schools *making it happen* by influencing food and beverage contracts?

- Fayette County Public Schools in Lexington, Kentucky, designed a vending contract proposal that rewarded bidders who emphasized nutrient-rich products and promoted healthy lifestyles. Under the winning bid, an increased number of healthful beverages are available, at competitive prices, and the sale of these products yields a higher commission.
- School districts in Fairfax, Virginia, and Oceanside, California, have refused vending contracts in order to operate their own vending programs. They increased the number of healthier choices, and the schools make more money than they did with their previous contracts.
- Old Orchard Beach, Maine, adopted a policy on vending machines and worked with vendors to incorporate more nutritious products—all within an existing vending contract.
- Richland One School District in Columbia, South Carolina, decided not to sign a lucrative soft drink contract after the superintendent watched a TV documentary about the health problems of overweight children. The district then developed a nutrition policy with strong standards.

—See Quick Reference Guide, page 179, for a list of all schools and school districts that influenced food and beverage contracts.