

Testimony
Of the
School Nutrition Association
Education and Labor Committee
House of Representatives
July 9, 2008

Chairman Miller, Members of the Committee, we deeply appreciate this hearing and the opportunity to discuss how the school nutrition programs are being effected by the steep increase in food prices. I am Katie Wilson, PhD, the President- Elect of the School Nutrition Association (SNA) from Onalaska, Wisconsin. I also serve as the Chairman of the Nutrition Standards Committee for SNA.

When SNA testified before the Committee just a few months ago on the subject of nutrition standards and the beef recall, we noted the “USDA currently reimburses local schools \$2.47 for every “free” lunch provided to a child with income below 130% of the poverty line...less than the price of a latte at the neighborhood coffee shop.” Even the increase for the new school year – \$2.57 – which was announced this week, fails to meet the true cost of providing school lunches, and on a percentage basis is smaller than the food cost increases we are experiencing.

Our 55,000 members serve 30 million students every day. We believe we can no longer work the magic. You can only stretch the food dollar so far. The increase in the cost of food we are all experiencing is very dramatic and compounded by several other factors:

- We are all trying very hard to respond to the obesity epidemic by making needed changes in the school food service menu but the changes are expensive. The Food and Nutrition Service has asked schools to develop meals that meet the 2005 *Dietary Guidelines for Americans*, but has not factored in the added cost of meeting this critical goal. Fresh fruits and vegetables are expensive. Whole grains – if they are even available – cost more than products made with

white flour. Our members report that it is not uncommon to pay 5 to 6 cents more for a single serving of whole grain bread over a serving of white bread.

- As the cost of fuel increases, many local school administrators are charging the school food service program more and more for the “indirect expenses” of running the school. These expenses include utilities such as electricity, gas, water, and trash removal. According to SNA’s *School Nutrition Operations Report: The State of School Nutrition 2007*; 46.6% of the programs have seen an increase in their indirect costs.
- It goes without saying that fuel costs are also increasing transportation costs. In many areas, this is impacting food bills, as food distributors are adding surcharges to make up for additional fuel expenses.
- The cost of labor has also been increasing for school nutrition employees for several years now. Many states and school districts require their employees to be provided with healthcare and other benefits. This is great for our employees, but unfortunately means that the school nutrition program budget must cover the costs of the mandated benefits. In some places, health care costs have risen as much as 7-10 percent.
- The historic February 2008 beef recall, which we testified about, is still having an effect on school nutrition programs. Many programs spent money to destroy the recalled beef and order new product to replace it but still have not been reimbursed by USDA.
- Finally, as we mentioned at the last hearing, the lack of a uniform national interpretation of the Dietary Guidelines is increasing the cost of the meal program. The multiplicity of different state and local nutrition standards is driving up the cost of producing food products and this increase is being passed on to local school food programs. We simply do not have the money to pay for many different interpretations of the Dietary Guidelines. We urge the Congress to establish a uniform national standard for the Dietary Guidelines.

A recent survey of school nutrition directors reveals even more about the state of school nutrition programs. SNA is still collecting results, as many school districts finalize their bids and menus during June and July. Very preliminary findings, however, show that the cost of preparing a school meal will jump \$0.30 per meal, per day, per child, to a national average of \$2.88. Last year there were 5 Billion lunches served. When you multiply 30 cents by 5 billion, the national impact is approximately \$1.5 Billion.

In many school districts, the cost of preparing a meal is well over \$3.00. In order to cope with the rise in costs, districts are weighing a variety of options. Approximately 75% of respondents to our survey are raising the price of a school meal for paying students. Reducing the number of employees, while undesirable during difficult economic times is another option 62% of directors are considering. What is most disconcerting, though, are the 69% of directors who are dipping into their financial reserves. School nutrition programs keep these rainy day funds on hand for capital equipment purchases since equipment assistance is no longer provided. (Equipment assistance was eliminated by Congress in the early 1980s). Instead, many directors are using their capital improvement reserves for day-to-day operations, which will have a profound effect in the years ahead.

As food costs continue to rise, we are challenged to do more with much less. With all of these factors swirling together, it seems as if a perfect storm is developing. Take a look at these examples from districts around the country:

- In Ponca City, Oklahoma, there is a \$25,000 to \$30,000 increase in food contracts from the 2007-08 school year to the 2008-09 school year. The district's school nutrition director noted that at the end of the school year, many vendors gave 30 day notices stating they could not meet agreements on pricing. Many other school districts echo similar comments from their vendors.
- This year, the growing food costs have pushed Florida's Polk County School District \$1 million into the red. This is the district's biggest loss on record.
- The price of milk has increased more than 32 percent since 2006 in the Hoover School District in Alabama. Next year, the district will pay \$72,000 more for milk.
- Miami-Dade County Public Schools Food and Nutrition Department has seen a 7 cent increase in the price they pay for whole grain bread from the 2006-2007 school year to the 2007-2008 school year – representing almost a half a million dollars more they had to spend. During the same timeframe a case of trans fat-free margarine went from \$12.12 to \$21.96 representing an increase of over \$125,000 while a ½ pint carton of milk increased from 17 cents to 26 cents – costing the nutrition program an additional \$4.9 million.
- Some school districts will stop offering universal free breakfasts in the fall. Next school year, the Rowan-Salisbury School District in North Carolina will stop offering

free breakfasts to students at six district schools due to rising food costs. While students eligible for free meals will continue to receive breakfast, all other students must now pay. This is an unfortunate consequence, as there is a strong link between breakfast and improved academic achievement.

Despite the challenges, school nutrition professionals are NOT sacrificing nutritious school meals. We are still dedicated to providing our students with healthy, balanced, low cost breakfasts and lunches. We must meet the nutrition guidelines set by the U.S. Department of Agriculture and many of our home states. To do so, school nutrition professionals nationwide are cutting budgets and looking for alternative items. In some cases this requires exercising a little creativity. For instance:

- The Wayne Township School District in Indiana cannot raise meal prices this year, since they raised them during the previous school term for the first time in 8 years. Instead, the district's school nutrition director is reviewing every non-food related cost, looking to save money on paper goods and packaging.
- To avoid raising lunch prices, Utah's Davis County School District is purchasing food earlier and in bulk. Buying in bulk allows the school district to save a considerable amount of money. In some places, school districts are banding together to form purchasing cooperatives. By joining a cooperative, school nutrition programs have greater buying power and can purchase items at a lower cost.
- Some nutrition programs are downgrading menu selections to less expensive options. For example, students in the Charlotte-Mecklenburg schools in North Carolina will be served spaghetti in place of lasagna this year. In the Spring Independent School District, outside of Houston, Texas, baby carrots will be replaced with carrots cut on site.
- The Alvord Unified School District in California will eliminate meat and cheese from salad bars and will instead offer a produce bar with four cold fruit and vegetable choices and crackers as a supplement to students' entrees.

I could continue. These are only a few examples of the ingenuity displayed by my colleagues around the country. At the end of the day, however, what school nutrition directors are doing to lessen the impact of rising costs is still not enough. Our programs need additional help in order to provide the highest quality, healthiest meals available to students each day.

In an effort to mitigate the rapid increase in the cost of food, we would like to make several suggestions for your consideration:

1. As you know, the National School Lunch Act updates the various reimbursements annually. Given how fast food prices are escalating, by the time the new rates are implemented they are out of date. SNA believes that the statute should be amended to require adjustments twice a year, or every six months.
2. The current index formula is based on “food away from home.” The question in our mind is whether that is the correct index, or whether there is a more appropriate index. We would appreciate your guidance on that question.
3. As I mentioned, many school districts are increasing the “indirect expenses” that are being charged against the school food service account. For example, in many cases, the percentage of the lighting bill or the sanitation bill, or even the salary of the school administrator, being charged to us, the school food service account, is far out of proportion to reality. Unlike many other programs, there is no maximum in the statute or the regulation as to what a school can charge us (the food service account). The appropriations bill, each year, states that the money is to fund the National School Lunch and Breakfast Programs. In reality, however, the money is used for many other school expenses. It has gotten out of hand and we feel that the statute should require USDA to establish a maximum indirect expense charge and one that is based on our true cost and expense to the school. Such a change would greatly improve the financial integrity of the school meal program and allow us to improve meal quality.
4. Finally, the School Breakfast Program still does not receive any USDA commodity assistance. The Lunch Program receives USDA commodities, but not the breakfast program. It would greatly assist our programs, and help us expand the breakfast program, if the Congress amended the statute to provide commodity assistance. Our suggestion is to provide ten cents (.10) per breakfast. Again, this would greatly assist us in trying to cope with the cost of food. Let me also note, however, that even though the School Lunch Program receives commodity assistance, it’s much less than in previous years. Because of changes in the agriculture economy, “bonus commodities” have all but stopped. Traditionally, our “entitlement” commodities were supplemented by bonus commodities, or extra surplus commodities. That is no longer happening to the same extent. We hope you

will take this change into consideration in deciding on the level of commodity assistance for breakfast and lunch.

Thank you very much, Chairman Miller, for convening this important hearing and for allowing SNA to participate. I would be pleased to answer any questions.