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Naomi Dillon

No Free Lunch

Child nutrition programs are struggling to maintain self-sufficiency in volatile times

She's as sweet as her name sounds, but a visit from Gertrude Applebaum generally is a nerve-racking experience. She can find the flaw in a stack of spreadsheets, see the waste in a menu cycle, and detect the disparities down the chain of command.

Nothing gets past this woman, which is precisely why school districts with troubled food service programs hire her.

"We became known as turnaround artists," says Applebaum, vice president of inTEAM Associates, a consulting agency specializing in school food services. "If you were having financial problems, we could turn that around."

Money woes are the top reason why more than 10,000 clients from 45 states have sought guidance from Applebaum's agency. The financial foibles the team encounters are often a reflection of poor management, loose controls, or lack of accountability. But, increasingly, budget shortfalls in food service programs are a reality of the times.

Across the globe, food costs are rising. The U.N. Food

and Agriculture's food price index, an amalgam of more than 60 internationally traded commodities, climbed by 37 percent in 2007. The cost of grains rose 42 percent, cooking oils by 50 percent, and dairy skyrocketed 80 percent from the previous year.

The food inflation comes as school districts face increased pressure to serve as the frontline in the battle against childhood obesity. Districts are offering more fresh fruits and vegetables, eliminating high-calorie and high-fat items from vending machines and à la carte lines, and adding more whole grains to meals.

But these changes, prompted by 2005's federally mandated wellness policies, aren't cheap. And no extra money is coming.

Struggling to break even

In most districts, food service is the only department that is expected to cover its own costs, from labor and supplies to equipment and utility bills. At the same time, these child nutrition programs don't have control over major budget areas like meal prices or salaries and benefits.

The federal government provides only limited help. Subsidies are \$2.47 for a free lunch and 23 cents for a regular-priced meal—hardly enough given today's food economics.

"I just went out to lunch, and the bill for two of us was \$25," says Katie Wilson, president-elect of the School Nutrition Association (SNA). "What we're charging for lunch and the federal reimbursement is way behind the economy."

Complicating matters this year was the largest meat recall in U.S. history. In February, after seeing footage of "downed" animals being forced through inspection, federal officials recalled 143 million pounds of beef. About 37 million pounds of that beef had been distributed to schools through the U.S. Department of Agriculture.

Schools had to discard the beef, taking a loss that has yet to be reimbursed, and found their food service programs' credibility tarnished. As Applebaum says: "It made the public begin to think, 'How safe is my child's lunch?'"

Applebaum, who was SNA's president when federal child nutrition funds were cut in the early 1980s, has been in the industry long enough to know the food service programs can survive.

"I remember going up and down the U.S. talking to people who were saying food service would go out of business," she says. "I told them we wouldn't; we would excel. We just had to look at our programs critically."

Still, things aren't what they once were.

Apples and oranges

Like everything else in education, food service programs have changed dramatically since the National School Lunch Program was enacted more than 60 years ago.

On the heels of the Great Depression and World War II, the federal government developed the program to ensure that low-income children received at least one nutritious meal a day.

"When school nutrition programs started, it was a simple lunch and a hot meal," Wilson says. "Well, we've taken that program and made it into a super program."

Today, district officials want the program to generate revenue. Special interest groups want it to build healthy eating habits among youth. Parents want affordable meals, and students want choices.

As expectations have expanded, the restrictions and regulations governing food service departments have tightened. From temperature logs to nutritional analyses, school food services track and collect myriad information, some of which can have huge financial implications.

"The whole idea that we collect income data is ridiculous," says Wilson, who heads up the food services program for the School District of Onalaska in Wisconsin. "Kids are moving from building to building and we have to know whether they get free or reduced meals because it's used to determine Title I monies, yet we don't get any of that money."

Although the modern world has heaped its share of headaches onto

Budget shortfalls in food service programs are a reality of the times.



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child nutrition programs, it also has introduced some tools that can help make jobs more efficient and cost effective.

Michael Rosenberger, food service director at the Irving Independent School District just outside Dallas, uses technology to speed up customer sales, collect income data, and cut down on energy costs. He also has purchased software to scan the 40,000-plus free and reduced-priced meal applications Irving receives annually, cutting processing

time by 25 percent.

“We just spent \$100,000 on laser hand-washing sinks that only spout water when you need it,” he says. “It has cut our water bills down tremendously.”

Rosenberger has managed to keep his program in the

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Tips for keeping your bottom line in line

Forget making a profit; breaking even has become a difficult task for an increasing number of school food service departments. Below are some tips and practices from those who have managed to keep their bottom line in line.

■ **Standardize it.** Eighty percent of what happens in school food service happens at the site level, says Gertrude Applebaum, vice-president of inTEAM Associates. To ensure consistency and uniformity, standards need to be drafted, implemented, and followed for almost everything in the department—from menus and food prep to staff training and communication.

■ **Image is essential.** “Our image has to do with three things,” Applebaum says. Food (quality, presentation, and preparation); customer service (Does the staff approach you? Are lines too long? Are the uniforms appealing?); and the facility (the layout, the façade.) Pay attention to all three areas if you want to increase participation.

■ **Provide samples.** In nine of 10 school districts nationwide, asking students to test new menu items has become a popular strategy among food service directors.

“We do taste tests it seems like every week. We’re always at some school, with some type of product, getting feedback,” says Michael Rosenberger, the food service director for Texas’ Irving Independent School District. Homemade tortillas are currently being tested (with great success) at a district high school, and Rosenberger plans to introduce them at other schools in the future.

■ **Look for new sources of revenue.** This is, of course, the flip side of controlling and streamlining expenses. In February, Florida’s Orange County Public Schools introduced a dollar menu (typically smaller portioned items or snacks) that has kept participation levels steady in the usually slow February and March months. In Onalaska, Wis., food service director Katie Wilson offers boxed lunches for field trips, personal pan pizzas for class parties, and catered lunches for department meetings.

■ **Involve your staff.** Healthy eating isn’t innate, particularly among children, so food service programs need to be strategic and almost stealth-like in exposing kids to new foods. At Irving, Rosenberger enlisted the help and competitive spirit of his staffers by challenging them to develop a roll with at least 25 percent whole-wheat

ingredients. “All the cafeterias went crazy and we had this huge contest and eventually came up with the champion roll,” Rosenberger says. The contest boosted staff morale and produced a tasty product that since has been bumped up to a 50 percent whole grain roll. “And it’s so popular,” he says.

■ **Increase nosing time.** One in every 10 school districts nationwide has lunch periods that are 17 minutes or less. To increase participation levels, consider increasing the time you give kids to eat. “We have schools that serve 600 to 650 students and the administration wants us to serve them in 10 or 15 minutes,” says Eric Boutin, food service director for the Auburn School District in Washington state. “If you make a taco from scratch and you’re trying to ask the kids what they want, and have a conversation, you can’t do that.”

■ **Double-duty fresh commodities.** “It’s 100 percent expensive to use local, fresh produce and cook from scratch,” Boutin says. But you can do it smarter. Boutin buys fresh, whole-roasted turkeys that are used in deli sandwiches one day and then paired with brown rice the next.

black, but he acknowledges that financially struggling school districts could have trouble shouldering the upfront costs that come with installing new technology.

“My way of looking at it is [that] it’s like a garden,” he says. “If you want to harvest tomatoes two months from now, you have to invest now to reap the benefits later.”

Calories in, calories out

Some practices in the school food service industry have become more sophisticated, but others clearly are outdated. For example, when it started in 1946, the National School Lunch program was expected to provide indigent children with one-third of their dietary needs.

“The underlying thing was they had to have one-third at school because they weren’t getting enough nutrition at home,” says Darlene Moppert, program manager for nutrition education and training at Florida’s Broward County Public Schools. “Today we know that isn’t true. Kids are far exceeding their [caloric intake] at home.”

Moppert notes that fewer students now walk to school or play sports, preferring instead to sit in front of a computer. “There’s a disparity,” she says.

And school districts like Broward County are caught in the middle. The Florida Department of Education recently audited the district’s food service program and determined students were not getting enough to eat. The state’s assessment was based on USDA caloric guidelines—elementary lunches should have a minimum 664 calories; middle and high schools 825 calories—that haven’t been revamped since the early 1990s.

While the USDA is apparently working to update the figures, Broward and others are forced to do what they can to make the quota by increasing portion sizes and encouraging kids to consume all of a meal.

“We are making better food available,” Moppert says.

“We shouldn’t be penalized for that.”

As any parent knows, kids don’t automatically gravitate toward nutritious options, which is one reason the obesity rate among children is growing so quickly. In 2004, Congress passed the Child Nutrition and WIC Reauthorization Act, requiring all school districts to draft wellness policies that included nutrition and physical activity goals and strategies on how to achieve them.

Each district has its own version of this unfunded man-

date, but the implication in virtually all wellness policies was that school food service programs would play an integral role in introducing, acclimating, and eventually turning kids into healthy eaters. No one could disagree that these are admirable goals, but they are not easy to achieve.

“You can’t serve nuggets and hamburgers every day and feel good about it,” says Eric Boutin, food service director for the Auburn School District in Washington state. “But you also need something the kids are going to eat. So it’s a delicate balance.”

The cost of health

In the financially precarious world of school nutrition, maintaining and increasing meal participation is as important as controlling costs. Auburn is among a handful of Washington districts that is breaking even despite the cost of incorporating more whole foods and fresh local produce. But it’s a challenge.

Part of the difficulty, Boutin says, is that farmers are busy during the growing season, selling their wares at the multitude of open-air markets in the area. “I happen to like to go to farmers markets, but it’s not a fair expectation that your food service director will go every week,” he says.

Another problem is product quality and consistency. A No. 10 can of fruit cocktail will always yield 47 servings, Boutin says, but in a case of fresh produce, some might be unripe while others are overripe, raising the per portion cost. Distribution is yet another issue.

“We have 22 schools and none of [the distributors] want to go school to school, dropping things off,” Boutin says. “I can’t tell you how many times I’ve waited for a truckload of cherries, or whatever, and they didn’t show up.”

But the biggest obstacle to offering a healthier menu is, of course, the expense. The state of North Carolina found this out the hard way.

In 2005, the state developed new dietary guidelines and decided to test them at 124 elementary schools in seven school districts. The districts received an additional \$25,000 to cover expenses for one year, but the pilot was halted after four and a half months when each district took an average hit of about \$500,000.

“When you start removing things that are popular but unhealthy and replace them with whole grains, fresh fruits, and vegetables, which are more expensive and require an increase in prep time, labor, and storage, that’s what happens,” says Cindy Marion, director of child nutrition for Stokes County Schools and the public policy and legislative chairwoman for the state SNA chapter.

Adding to money pressures, North Carolina, which controls labor costs for food service employees, has raised salaries by 19 percent since 2005 and benefits by 38

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percent over the last five years. Add a 26 percent increase in food costs since 2005, and you can see why the state's child nutrition program has gone from a \$5.6 million profit in 2003 to a \$5.7 million loss in 2007.

Marion's program in Stokes County is struggling, too, ending the 2006-07 year with a \$100,000 loss. Since she took over as the child nutrition director last year, Marion has restructured labor, tightened inventories, and revamped menus to make them more appealing to students. To make ends meet, she also had to reverse some changes made to raise nutritional standards.

"We do offer a lot of healthy choices, but we ended up putting back à la carte and some beverages, cookies, and french fries in order to help us make payroll and pay the bills," Marion says. "I hate to do it, but I have to see the reality."

Value on a dime

The reality at Florida's Orange County Public Schools was bleak when Applebaum and inTEAM Associates founder Dorothy Pannell Martin arrived in 2003. "It was one of the worst school districts that we were able to turn around," Applebaum says.

Once a strong and fiscally sound operation, the district's food services began a downward spiral in the 1990s, going through more than \$10 million in reserves and ending the 2001 fiscal year with a \$2 million deficit.

With the longtime food service director retiring, district leaders considered outsourcing but decided to call inTEAM instead. Applebaum and Martin combed through everything in the department, from financials and record control to inventory and marketing efforts. They determined the district's site-based management philosophy, as it applied to child nutrition programs, was incredibly inefficient.

"We think a program should be standardized," Applebaum says. "You set up a model and every single school in the system should operate in the same manner."

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Between centralizing purchases and menu development and creating procedures for things like staff training and production methods, inTEAM helped the department achieve a surplus of \$3 million in 2004. Since then, though, the surplus has slowly eroded and the program is back in the red, thanks to salary increases set by the board and other matters beyond their control.

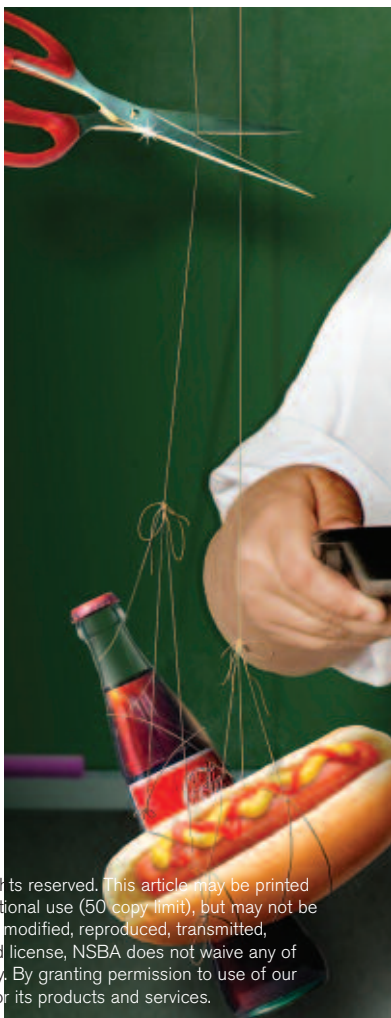
"It takes a significant amount of planning and attention to detail to stay afloat," says Nick Gledich, the district's chief operations officer. "But you're always going to be in that pickle because there are always going to be some uncontrollables, like the rising cost of energy, gasoline, and food."

The cost of chicken fajitas, for instance, increased by 100 percent after they were introduced in the cafeterias and menus were printed. Gledich says the department had to absorb the cost.

The news hasn't been all bad. In fact, Orange County has made great strides toward the ultimate goal of every child nutrition program: getting kids to be smart food consumers.

Vending machine sales, which took a hit when all carbonated beverages were removed from high schools, have returned to normal. At the elementary level, the changes are even more inspiring.

"We did focus groups and the kids said they liked a mix of romaine and iceberg, then they said they wanted cherry tomatoes. They didn't like them cut up," says Lora Gilbert, the district's food service director. "Then this last time they said they wanted cucumbers and, you know, we are selling more salads than ever." ■



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