

ORANGE COUNTY
BOARD OF EDUCATION

AGENDA ITEM ABSTRACT

Meeting Date: May 16, 2011

AGENDA ITEM No. 11-05-(2)-13

ACTION ITEM (Y/N) Y

SUBJECT: Child Nutrition Meals Price Increase

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ATTACHMENTS:

1. Proposed Meal Prices
2. Healthy Hunger-Free Kids Act 2010- Section 205 and Summary
3. USDA Equity in School Lunch Pricing Fact Sheet
4. Healthy Hunger-Free Kids Act 2010 Fact Sheet

PURPOSE: To present information to the Board of Education regarding the price of producing the lunch meal in the Orange County School (OCS) system, and to discuss the need to increase the cost of the lunch meal for both contracted and adult sales for the upcoming school year, according to S. 3307 Healthy, Hunger-Free Kids Act of 2010-Section 205.

BACKGROUND: Effective July 1, 2011, section 205 of the Healthy Hunger-Free Kids Act of 2010 requires school food authorities participating in National School Lunch Program to provide the same level of support for lunches served to students who are not eligible for free or reduced lunches as they are for lunches served to students eligible for free lunches.

The USDA reimbursement rates for the 2010-2011 are as follows:

- \$2.72 for each meal served to students that qualify for free meals
- \$2.32 for each meal served to students that qualify for reduced meals
- \$0.26 for each meal served to students that qualify for paid meals

Orange County Schools current average meal price is \$2.00, which is below the USDA reimbursement rate. Therefore, as an approved School Food Authority (SFA) OCS must either gradually adjust average prices or provide non-Federal funding to cover the difference. Staff supports a gradual increase.

FINANCIAL IMPACT: The Orange County Schools Child Nutrition Services would adhere to the Equity in School Lunch Meals Pricing Provision by recouping the cost of producing school meals. Therefore, an increase across the board of \$.05 is recommended for breakfast, lunch meals and a la carte pricing for adult meals. Therefore the meal prices for the 2011-2012 school year, effective July 1, 2011 would become

- Breakfast: Elementary, Middle and High- \$1.30, Adults- A la carte
- Lunch: Elementary- \$1.80, Middle/High- \$2.30, Adults- A la carte

RECOMMENDATION: The Superintendent recommends the Board of Education approve the cost increases for meals for the 2011-2012 school year as reflected above.

**Orange County Schools
Child Nutrition Services
Summary of Meal Prices
2010-2011**

School System	Schools	Breakfast			Lunch		
		Elementary	Middle/High	Adult	Elementary	Middle/High	Adult
Alamance-Burlington Schools	35	\$1.25	\$1.50	A la Carte	\$2.00	\$2.00	\$3.00
Caswell County Schools	6	\$1.00	\$1.50	A la Carte	\$1.75	\$2.00	A la Carte
Durham Public Schools	53	\$1.60	\$1.60	\$1.85	\$2.10	\$2.35	\$3.25
Person County Schools	11	\$1.00	\$1.00	A la Carte	\$1.75	\$2.00	A la Carte
Wake County Schools	159	\$1.00	\$1.25	A la Carte	\$2.00	\$2.25	A la Carte
Chapel-Hill/Carrboro Schools * (Management Company)	18	\$1.20	\$1.20	\$1.65	\$2.75	\$3.00	\$3.60
Orange County Schools	13	\$1.25	\$1.25	\$1.50	\$1.75	\$2.25	\$3.00
Proposed Meal Prices for 2011-2012		\$1.30	\$1.30	A la Carte	\$1.80	\$2.30	A la Carte



CHILD NUTRITION REAUTHORIZATION HEALTHY, HUNGER-FREE KIDS ACT OF 2010

The Healthy, Hunger-Free Kids Act of 2010 represents a major step forward in our nation's effort to provide all children with healthy food in schools. Increasingly schools are playing a central role in children's health. Over 31 million children receive meals through the school lunch program and many children receive most, if not all, of their meals at school. With over seventeen million children living in food insecure households and one out of every three children in America now considered overweight or obese, schools often are on the front lines of our national challenge to combat childhood obesity and improve children's overall health. This legislation includes significant improvements that will help provide children with healthier and more nutritious food options, educate children about making healthy food choices, and teach children healthy habits that can last a lifetime.

WHAT IS THE CHILD NUTRITION REAUTHORIZATION BILL?

The Healthy, Hunger-Free Kids Act of 2010 authorizes funding for federal school meal and child nutrition programs and increases access to healthy food for low-income children. The bill that reauthorizes these programs is often referred to by shorthand as the child nutrition reauthorization bill. This particular bill reauthorizes child nutrition programs for five years and includes \$4.5 billion in new funding for these programs over 10 years.

Many of the programs featured in the Act do not have a specific expiration date, but Congress is periodically required to review and reauthorize funding. This reauthorization presents an important opportunity to strengthen programs to address more effectively the needs of our nation's children and young adults.

WHAT DOES IT DO?

Improves Nutrition and Focuses on Reducing Childhood Obesity

- **Gives USDA the authority to set nutritional standards** for all foods regularly sold in schools during the school day, including vending machines, the "a la carte" lunch lines, and school stores.
- **Provides additional funding to schools that meet updated nutritional standards** for federally-subsidized lunches. This is an historic investment, the first real reimbursement rate increase in over 30 years.
- **Helps communities establish local farm to school networks, create school gardens,** and ensures that more local foods are used in the school setting.
- **Builds on USDA work to improve nutritional quality of commodity foods** that schools receive from USDA and use in their breakfast and lunch programs.
- **Expands access to drinking water** in schools, particularly during meal times.

- **Sets basic standards for school wellness policies** including goals for nutrition promotion and education and physical activity, while still permitting local flexibility to tailor the policies to their particular needs.
- **Promotes nutrition and wellness in child care settings** through the federally-subsidized Child and Adult Care Food Program.
- **Expands support for breastfeeding** through the WIC program.

Increases Access

- **Increases the number of eligible children enrolled in school meal programs by approximately 115,000 students** by using Medicaid data to directly certify children who meet income requirements.
- **Helps certify an average additional 4,500 students per year** to receive school meals by setting benchmarks for states to improve the certification process.
- **Allows more universal meal access for eligible students** in high poverty communities by eliminating paper applications and using census data to determine school-wide income eligibility.
- **Expands USDA authority to support meals** served to at-risk children in afterschool programs.

Increases Program Monitoring and Integrity

- **Requires school districts to be audited every three years** to improve compliance with nutritional standards.
- **Requires schools to make information more readily available** to parents about the nutritional quality of meals.
- **Includes provisions to ensure the safety of school foods** like improving recall procedures and extending hazard analysis and food safety requirements for school meals throughout the campus.
- **Provides training and technical assistance** for school food service providers.

WHAT IS THE TIME FRAME?

USDA will work with states, school districts and neighborhoods to implement the provisions of the bill and Americans will start to see changes in their communities over time.



1. What is the "Equity in School Lunch Pricing" Provision?

- Effective July 1, 2011, section 205 of the Healthy, Hunger-Free Kids Act of 2010 requires school food authorities (SFAs) participating in the National School Lunch Program to provide the same level of support for lunches served to students who are not eligible for free or reduced price lunches (i.e., paid lunches) as they are for lunches served to students eligible for free lunches. The Act directs SFAs to:
 1. Compare the average price charged for lunches served to students not eligible for free or reduced price lunches (i.e., students receiving "paid lunches") to the difference between the higher Federal reimbursement provided for free lunches and the lower Federal reimbursement provided for paid lunches.
 2. If the average paid lunch price is *less than* the difference, an SFA must either gradually adjust average prices or provide non-Federal funding to cover the difference.

2. Why is this provision important?

- Historically, there have been three main sources of funds provided to nonprofit school food service accounts: Federal reimbursements, paid meal revenues, and State and local funding. The Federal reimbursement for paid meals was designed to be minimal in relation to these other sources and has always been substantially less than the reimbursement for free and reduced price meals.
- Research indicates that average prices charged for paid lunches in some SFAs are less than the cost of producing those lunches.
- Pricing paid lunches below the cost of production effectively increases Federal subsidies for higher income children because Federal funds intended for free and reduced price lunches are being used to help fill in the gap between what a paid lunch costs and what the school receives for it. Children across all income levels are negatively affected by limiting the funds available to provide nutritious meals.
- This provision will help ensure that schools have funding available to support serving nutritious meals to all students.



3. Which SFAs will be affected by this provision?

- Not all SFAs will be required to adjust prices or find alternative sources of funding for paid lunches. Applying this provision using current Federal reimbursement rates, SFAs in the continental U.S. now charging, on average, \$2.46 or more for a paid lunch would not be required to adjust prices in school year 2011-12.
- An SFA in the continental U.S. currently charging, on average, less than \$2.46 for a paid lunch may be required to either gradually increase prices or provide additional non-Federal support for its lunches. To determine how much, these SFAs must calculate an adjusted average paid lunch price.
 - For school year 2011-2012, the adjusted average price is the average price charged in school year 2010-2011 increased by a factor equal to two percentage points above the inflation rate and may be rounded down to the nearest 5 cents. For school year 2011-2012, the inflation factor is 1.14 percent. Combined with the required annual 2 percentage point increase, the total adjustment required is 3.14 percent.
 - This year's relatively low food price inflation, combined with the ability to round down, means that for this coming school year, SFAs in the continental U.S. with lunch prices below \$2.46 in School Year 2010-11 would have to increase lunch prices by only five cents or not at all.
- In general, when the adjusted average price is more than the current price, an SFA would have to either increase its average paid lunch price to the adjusted average price or provide additional non-Federal support for its paid lunches. The law caps the required increase in the average paid lunch price at 10 cents in any year. Therefore, an SFA with a significant gap between its price and the required level will have several years to make adjustments to its prices and/or provide other funding to the SFA account in order to meet this requirement.



4. Will SFAs have control over establishing paid lunch prices?

- SFAs maintain significant local control in establishing the prices for paid lunches. SFAs may maintain low paid lunch prices if they ensure that sufficient funding from non-Federal sources is added to the school food service account to cover the required revenue. SFAs also may vary paid lunch prices by school (for example, charging lower prices in schools located in lower-income areas or charging different prices in elementary and secondary schools), as long as the average revenue requirement is met across the SFA.

5. Will families with incomes slightly above the threshold for free and reduced price meals be disproportionately impacted by this provision?

- This provision does not require that additional revenue be secured through paid lunch price increases. Revenue can be generated from any non-Federal source.
- By limiting the maximum required annual average price increase to 10 cents, the Act allows for a gradual increase in paid lunch prices, thereby minimizing the impact on families with incomes just above the level eligible for reduced price meals.
- SFAs can also choose to vary the price of paid lunches by school as long as the average paid lunch price across the district meets the requirement. Therefore, SFAs could choose to keep lunch prices lower in schools with higher concentrations of low-income students.
- USDA's analysis suggests that the effect on participation of a 5 or 10 cent increase in the price of a paid lunch is very small – less than a 5 percent difference even after many years of implementation. However, USDA will carefully monitor the implementation of this provision and any impact on participation.

CHILD NUTRITION REAUTHORIZATION HEALTHY, HUNGER-FREE KIDS ACT OF 2010

SEC. 205. EQUITY IN SCHOOL LUNCH PRICING.

Section 12 of the Richard B. Russell National School Lunch Act (42 U.S.C. 1760) is amended by adding at the end the following:

(p) PRICE FOR A PAID LUNCH.—

(1) DEFINITION OF PAID LUNCH.—In this subsection, the term ‘paid lunch’ means a reimbursable lunch served to students who are not certified to receive free or reduced price meals.

(2) REQUIREMENT.—

(A) IN GENERAL.—For each school year beginning July 1, 2011, each school food authority shall establish a price for paid lunches in accordance with this subsection.

(B) LOWER PRICE.—

(i) IN GENERAL.—In the case of a school food authority that established a price for a paid lunch in the previous school year that was less than the difference between the total Federal reimbursement for a free lunch and the total Federal reimbursement for a paid lunch, the school food authority shall establish an average price for a paid lunch that is not less than the price charged in the previous school year, as adjusted by a percentage equal to the sum obtained by adding—

(I) 2 percent; and

(II) the percentage change in the Consumer Price Index for All Urban Consumers (food away from home index) used to increase the Federal reimbursement rate under section 11 for the most recent school year for which data are available, as published in the Federal Register.

(ii) ROUNDING.—A school food authority may round the adjusted price for a paid lunch under clause

(i) down to the nearest 5 cents.

(iii) MAXIMUM REQUIRED PRICE INCREASE.—

(I) IN GENERAL.—The maximum annual average price increase required to meet the requirements of this subparagraph shall not exceed 10 cents for any school food authority.

(II) DISCRETIONARY INCREASE.—A school food authority may increase the average price for a paid lunch for a school year by more than 10 cents.

(C) EQUAL OR GREATER PRICE.—

(i) IN GENERAL.—In the case of a school food authority that established an average price for a paid lunch in the previous school year that was equal to or greater than the difference between the total Federal reimbursement for a free lunch and the total Federal reimbursement for a paid lunch, the school food authority shall establish an average price for a paid lunch that is not less than the difference between the total Federal reimbursement for a free lunch and the total Federal reimbursement for a paid lunch.

(ii) ROUNDING.—A school food authority may round the adjusted price for a paid lunch under clause

(i) down to the nearest 5 cents.

(3) EXCEPTIONS.—

(A) REDUCTION IN PRICE.—A school food authority may reduce the average price of a paid lunch established under this subsection if the State agency ensures that funding from non-Federal sources (other than in-kind contributions) is added to the nonprofit school food service account of the school food authority in an amount estimated to be equal to at least the difference between—

(i) the average price required of the school food authority for the paid lunches under paragraph (2); and

(ii) the average price charged by the school food authority for the paid lunches.

(B) NON-FEDERAL SOURCES.—For the purposes of subparagraph (A), non-Federal sources does not include

revenue from the sale of foods sold in competition with meals served under the school lunch program authorized under this Act or the school breakfast program established by section 4 of the Child Nutrition Act of 1966 (42 U.S.C.1773).

(C) OTHER PROGRAMS.—This subsection shall not apply to lunches provided under section 17 of this Act.

(4) REGULATIONS.—The Secretary shall establish procedures to carry out this subsection, including collecting and publishing the prices that school food authorities charge for paid meals on an annual basis and procedures that allow school food authorities to average the pricing of paid lunches at schools throughout the jurisdiction of the school food authority.”

CHILD NUTRITION REAUTHORIZATION HEALTHY, HUNGER-FREE KIDS ACT OF 2010

Summary

Section 205 -

Establishes requirements regarding the nonfederal contribution required of school food authorities receiving federal reimbursement through the school lunch program. Requires food authorities that have an average paid lunch price that is less than the difference between the free lunch reimbursement rate and the paid lunch reimbursement rate to set their average paid lunch price eventually so that the total per meal revenue received for those lunches is equal to the per meal revenue provided by the federal government for free lunches. Sets forth the formula for setting the average price for paid meals. Requires school food authorities that have an average paid lunch price equal to or greater than the difference between the free lunch reimbursement rate and the paid lunch reimbursement rate to adjust their prices annually by the inflation adjustment factor used for federal reimbursement rates. Allows a school food authority to reduce the average paid lunch price if the state ensures that nonfederal funding is added to the nonprofit school food service account of the food authority to satisfy the requirements of this section.