



School Food Budgets: A Brief Explanation¹

Before embarking upon a farm to school or local food purchasing program, it is important to understand the conditions under which most school food service programs operate. Below is a brief explanation of common procurement methods, funding sources, and typical costs for the National School Lunch Program (NSLP).

Procurement

If Michigan schools participate in the NSLP, they must join a consortium to receive USDA foods and contract for their processing. They may also participate in a consortium to procure commercial (non-commodity) foods if they choose. The three consortia in Michigan are the Great Lakes Consortium (GLC), School Purchasing and Resource Consortium (SPARC), and Macomb Oakland Wayne RESA (MOR). (Membership to MOR is limited to specific counties in southeast Michigan.)

In order to maintain free and open competition, competitive bidding for best price and/or other criteria is required for all products a school purchases. Schools typically contract to purchase food from an average of four vendors, including:

- One or two prime vendors known as broadline distributors (e.g. Sysco, Gordon Food Service, VanEerden Food Service, etc.), which carry everything from apples to napkins. Schools typically purchase 80-95% of their food from a prime vendor to take advantage of early payments discounts and high volume rebates. Prime vendors typically require minimum orders of \$250 - \$500 and deliver a few times per week.
- Specialty vendors for produce, milk, and bread

Federal Funding

School food service programs that participate in the NSLP are primarily funded through a three-tiered federal meal reimbursement system, and commodity entitlement. Additional federal reimbursement is offered through other federal food programs such as the Special Milk Program and School Breakfast Program.

Children are eligible for free and reduced-price lunches based on their family's income level, based on a family of four²:

- Paid meals: >185% of the poverty level (> \$41,348)
- Reduced-price meals: 130-185% of the poverty level (\$29,055-\$41,348)
- Free meals: <130% of the poverty level (< \$29,055)

National School Lunch Program (Contiguous States)			
July 1, 2011 – June 30, 2012 ³			
	Less than 60 %	60% or more	Commodity entitlement
Paid	\$0.26	\$0.28	\$0.2225
Reduced-price	\$2.37	\$2.39	
Free	\$2.77	\$2.79	

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² Based on federal poverty guidelines for the 2011 fiscal year. Poverty guidelines vary by family size.

³ These reimbursement rates change every year. Please check www.mifarmtoschool.msu.edu for updated information.

Schools receive federal reimbursement for each paid, reduced-price, and free lunch served in the NSLP. School districts receive a rate of reimbursement at one of two levels. The level received is based on the total percentage of lunches (< 60% or ≥ 60%) served two years prior that were free or at a reduced-price. Schools are eligible to receive an additional \$.02 for each lunch served if 60% or more of the total lunches served district-wide in the second preceding year were free or reduced-price.

In addition to federal reimbursement, school food service programs are entitled every year to receive USDA foods at a value based on a flat rate per lunch meal served (\$.2225 for 2011-2012). With nearly 180 different products, USDA foods comprise about 20% of the food served in school lunches. Nearly half of USDA foods are processed prior to delivery to schools.⁴ Additional surplus agricultural products are offered to schools as “bonus” or free USDA foods as they become available.

Other Funding:

- Paid meals – cash payment for meals by students who are not eligible for free or reduced-price meals
- Competitive foods – all foods for sale that are not part of a reimbursable meal, sold a la carte in the cafeteria or in school stores or vending machines
- Staff meals – cash payment for meals by school staff
- Catering, if applicable
- Grants, like the USDA Fresh Fruit & Vegetable Program, if applicable

Costs

Often separate from school or district budgets, school food service programs are expected to be self-sufficient. Food service directors must maintain budgets that at least break even without any assistance from the school’s or district’s annual budget. If a food service program turns a profit, that revenue must be put back into the food service program. In addition to purchasing food and supplies, school food service is often expected to pay for the following:

- Labor and benefits
- Utilities
- Trash removal
- Equipment
- Capital improvements

In 2008, the School Nutrition Association reported that the average of all costs to provide a school lunch was about \$3.00, but schools were only expected to charge \$2.00 per “paid” lunch.⁵ As federal reimbursements for any meal category (free, reduced-price, or paid) do not make up this difference, school food service must raise prices and/or seek additional funds through competitive foods or other services to avoid losing money on meals served to participating children.

⁴ California Food Policy Advocates and Samuels & Associates. *The Federal Child Nutrition Commodity Program: A Report on Nutritional Quality*. September 2008.

⁵ School Nutrition Association. “Fact Sheet: Why are School Lunch Prices Going Up?” 2008. Accessed December 2008 at [http://www.schoolnutrition.org/uploadedFiles/School_Nutrition/102_ResourceCenter/RunningYourProgram/FinancialManagement/FactSheet\(3\).doc](http://www.schoolnutrition.org/uploadedFiles/School_Nutrition/102_ResourceCenter/RunningYourProgram/FinancialManagement/FactSheet(3).doc).