



School Meal Reimbursement

The U.S. Department of Agriculture (USDA) National School Lunch and Breakfast Programs provide per meal cash reimbursements to schools across the U.S. Over 6 billion meals each year are served through those programs,^{1,2} to over 30 million children each day, in over 99,800 schools and residential child-care institutions.³ From 1983 to 2005, the number of free and reduced-price meals served increased by an average annual rate of 1.9 percent/year.⁴ This year that trend continues: the Administration's FY09 budget estimated an additional 400,000 students receiving free school breakfast and an additional 600,000 students receiving free school lunch in 2008.⁵

Reimbursement Rates

Income Level	Meal Price	Reimbursement Rate SY 08-09 ⁶
Below 130% of poverty level (Less than \$27,560/yr for a family of four)	Free	Breakfast Non-severe: \$1.40 Severe: \$1.68
		Lunch Less than 60%: \$2.57 60% or more: \$2.59
Between 130-185% of poverty level (Less than \$39,220/yr for a family of four)	Reduced	Breakfast Non-severe: \$1.10 Severe: \$1.38
		Lunch Less than 60%: \$2.17 60% or more: \$2.19
Above 185% of poverty line (More than \$39,220/yr for a family of four)	Full	Breakfast Non-severe: \$0.25 Severe: \$0.25
		Lunch Less than 60%: \$0.24 60% or more: \$0.26

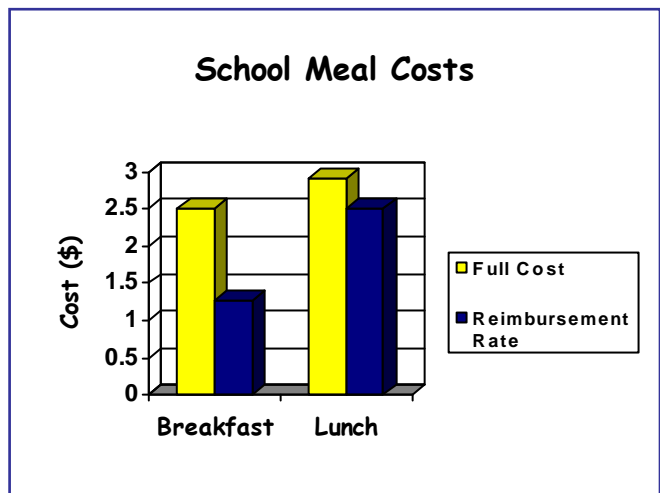
Reimbursement Rates Do Not Cover the Full Cost of School Meals

Breakfast

In SY 2005-2006, the average full cost to prepare and serve each reimbursable breakfast was \$1.23 more (\$2.50) than the \$1.27 reimbursement rate. Eighty-two percent of school food authorities incurred costs for breakfasts that exceeded the USDA reimbursement for a free breakfast.⁷

Lunch

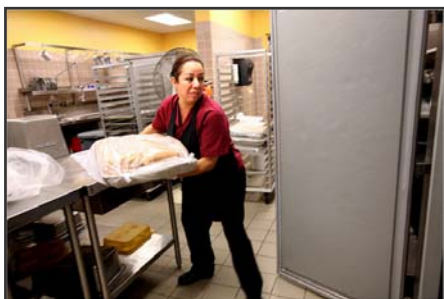
In SY 2005-2006, the average full cost to prepare and serve each reimbursable lunch was 23 cents more (\$2.91) than the \$2.51 + \$0.1725 (commodity entitlement)⁸ reimbursements. Sixty-eight percent of school food authorities incurred costs for lunches that exceeded the USDA reimbursement for a free lunch.⁷



Rising Costs for School Meals

Adjustments to child nutrition program reimbursements are based on the annual change from May to May each year in the Food-Away-From-Home series of the Consumer Price Index for All Urban Consumers, published by the Bureau of Labor Statistics of the Department of Labor.⁹

School breakfast reimbursement rates increased by five cents for free and reduced price breakfast, and one cent per paid breakfast between SY 2007-08 and SY 2008-09.^{10,11} The reimbursement rate increased 10 cents per free and reduced price lunch, and one cent per paid lunch between SY 2007-08 and SY 2008-09.¹¹ **Seventy-nine percent of school nutrition directors reported that the \$0.10 reimbursement rate increase was less than the increase in cost to produce a meal.** The average reported cost to produce a meal increased by \$0.27 from 2007-08 to 2008-09.¹²



Food Prices Are Having an Impact. Food costs increased more in 2007 than in the past 17 years.¹³ But not all food costs are increasing at the same rate. Fruit and vegetable costs increased 20% between 2004 and 2006, yet the cost for less nutritious chips,

cookies, and candy bars actually decreased 2% over this same time period.¹⁴

Ninety-eight percent of school nutrition directors reported an increase in their programs' food costs for the 2008-09 school year.¹⁵ The directors reported especially large cost increases for whole grain items, fresh fruits, vegetables, and low-fat snacks, items needed for providing balanced, nutritious school meals.¹⁸ On average, many schools have experienced up to double-digit price increases in the last 12 months:¹⁶

- Milk: ↑ 14%
- Fruits & Vegetables: ↑ 13%
- Meat and Meat Alternatives: ↑ 11%
- Bread: ↑ 15%

Other Costs Are Rising. Of the school nutrition directors surveyed:

- 84% reported an increase in their programs' **labor costs**.¹⁵
- 94% reported an increase in their programs' **gas/transportation costs**.¹⁵ Gas costs increased over 8% during 2006-07.¹⁷
- 67% reported an increase in their programs' **indirect costs** - such as **gas, electricity, and water** - that are charged to the school nutrition program by many school districts.¹⁵



As a Result of Rising Costs, School Meal Prices Are Increasing. School boards have been forced to raise lunch prices for children. Between 50-60% of school districts increased the price of full-paid lunch meals during the 2007-2008 school year, with a 12-13% (over \$0.20/lunch) average increase.¹²

Insufficient Funding Makes It Harder to Serve Healthier Meals

Schools are working to make positive nutritional changes to school meals. To meet the *Dietary Guidelines for Americans*, schools need to provide more fruits, vegetables, and whole grains. However, no additional funding has been provided for schools to make those changes. **Seventy-eight percent of programs have experienced increased costs as a result of implementing district nutrition standards.**¹⁸



Additional Funding Is Needed to Address Rising Costs and to Provide Healthier Meals

In elementary schools alone, schools are experiencing an estimated loss of approximately \$0.20 to \$0.61 per lunch produced. **Based on average daily participation rates in the NSLP, school districts across the country are losing an estimated \$600 million each school year on free and reduced-price school lunches.**¹⁹

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¹ Food and Nutrition Service (FNS), U.S. Department of Agriculture. *National School Lunch Program: Participation and Lunches Served*. Alexandria, VA: FNS, 2008. Accessed at <<http://www.fns.usda.gov/pd/slsusmar.htm>> on November 21, 2008.

² Food and Nutrition Service (FNS), U.S. Department of Agriculture. *School Breakfast Program Participation and Meals Served*. Alexandria, VA: FNS, 2008. Accessed at <<http://www.fns.usda.gov/pd/sbsummar.htm>> on November 21, 2008.

³ Food Research and Action Center. *National School Lunch Program*. Washington, D.C.: FRAC, 2008. Accessed at <http://www.frac.org/html/federal_food_programs/programs/nslp.html> on November 21, 2008.

⁴ Economic Research Service, U.S. Department of Agriculture. *The National School Lunch Program: Background, Trends, and Issues*. Washington, D.C.: ERS, 2008. Accessed at <<http://www.ers.usda.gov/Publications/ERR61/ERR61.pdf>> on November 14, 2008.

⁵ United States Department of Agriculture (USDA). *FY 2008 Budget Summary and Annual Performance Plan*. Washington, D.C.: USDA, 2008. Accessed at <<http://www.obpa.usda.gov/budsum/fy09budsum.pdf>> on November 13, 2008.

⁶ In school food authorities that served less than 60 percent free and reduced price lunches in School Year 2006-07, the reimbursement rates are slightly lower than those schools with 60% or more students on free and reduced price lunches. Schools may qualify for higher "severe need" reimbursements if 40% of their lunches are served free or at a reduced price in the second preceding year.

⁷ Food and Nutrition Service (FNS); U.S. Department of Agriculture. *School Lunch and Breakfast Cost Study - II*. Alexandria, VA: FNS, 2008. Accessed at <<http://www.fns.usda.gov/oane/menu/Published/CNP/FILES/MealCostStudy.pdf>> on November 13, 2008.

⁸ Food and Nutrition Service (FNS); U.S. Department of Agriculture. *Schools/Child Nutrition Commodity Programs*. Alexandria, VA: FNS, 2008. Accessed at <<http://www.fns.usda.gov/FDD/programs/schcnp/pfs-schcnp.pdf>> on November 14, 2008.

⁹ Bureau of Labor Statistics (BLS), Department of Labor. *Consumer Price Index*. Washington, D.C.: BLS, 2008. Accessed at <<http://www.bls.gov/cpi/home.htm>> on November 14, 2008.

¹⁰ For non-severe school breakfast reimbursements.

¹¹ Food and Nutrition Service (FNS); U.S. Department of Agriculture. *Reimbursement Rates*. Alexandria, VA: FNS, 2008. Accessed at <<http://www.fns.usda.gov/cnd/governance/notices/naps/NAPs.htm>> on November 13, 2008.

¹² School Nutrition Association (SNA). *Heats On: School Meals Under Financial Pressure*. Alexandria, VA: SNA, 2008. Accessed at <[http://www.schoolnutrition.org/uploadedFiles/School_Nutrition/101_News/MediaCenter/PressReleases/Press_Release_Articles/Press_Releases/HeatsOn\(1\).pdf](http://www.schoolnutrition.org/uploadedFiles/School_Nutrition/101_News/MediaCenter/PressReleases/Press_Release_Articles/Press_Releases/HeatsOn(1).pdf)> on October 24, 2008.

¹³ Weber, J. "Increasing Food Costs for Consumers and Food Programs Straining Pocketbooks." *Journal of the American Dietetic Association* 2008, vol. 108, pp. 615-617. Accessed at <http://www.schoolnutrition.org/uploadedFiles_old/ASFSA/childnutrition/govtaffairs/April2008FoodCosts.pdf> on November 14, 2008.

¹⁴ Monsivais P, Drewnowski A. "The rising cost of low-energy-density foods." *Journal of the American Dietetic Association* 2007, vol. 107, pp. 2071-2076.

¹⁵ School Nutrition Association. *SNA 2008 Back to School Trends Report*. Alexandria, VA: School Nutrition Association, 2008.

¹⁶ School Nutrition Association (SNA). *Cost Survey of Members*. Alexandria, VA: SNA, 2008 [average price increases across all reporting school nutrition directors].

¹⁷ Energy Information Administration (EIA), U.S. Department of Energy. *Motor Gasoline Retail Prices*. Washington, D.C.: EIA, 2008. Accessed at <http://www.eia.doe.gov/emeu/mer/pdf/pages/sec9_6.pdf> on November 14, 2008.

¹⁸ School Nutrition Association (SNA). *From Cupcakes to Carrots: Local School Wellness Policies One Year Later*. Alexandria, VA: SNA, 2007.

¹⁹ 5.03 billion school lunches served in 2006. Of these, 59% were free and reduced-price lunches. 5.029 billion x .59 = 2.967 billion free and reduced-price lunches served in 2006. On average, schools face a 20 cent loss for each reimbursable school lunch served. Thus, .20 x 2.967 billion ≈ \$600 million loss per year.