

Financial Management Benchmarks for School Nutrition Programs



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Building the Future Through Child Nutrition

The National Food Service Management Institute (NFSMI) was authorized by Congress in 1989 and established in 1990 at The University of Mississippi in Oxford. The Institute operates under a grant agreement with the United States Department of Agriculture, Food and Nutrition Service.

PURPOSE

The purpose of NFSMI is to improve the operation of Child Nutrition Programs through research, education and training, and information dissemination. The Administrative Offices and Divisions of Technology Transfer and Education and Training are located in Oxford. The Division of Applied Research is located at The University of Southern Mississippi in Hattiesburg.

MISSION

The mission of the NFSMI is to provide information and services that promote the continuous improvement of Child Nutrition Programs.

VISION

The vision of the NFSMI is to be the leader in providing education, research, and resources to promote excellence in Child Nutrition Programs.

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**FINANCIAL MANAGEMENT BENCHMARKS
FOR SCHOOL NUTRITION PROGRAMS**

EXECUTIVE SUMMARY

School Nutrition Programs (SNP) serve millions of children a nutritious lunch, breakfast, and snack daily. Managing the financial resources of these programs is critical to the success of maintaining quality standards and accountability. The ability to interpret the financial outcomes of operational decisions and benchmark best practices is necessary to long term planning and effective management of the school district's SNPs. The purpose of this study was to determine the feasibility of developing a national database that can be used to collect and analyze demographic and financial data to assist SNP administrators in decision making and establishing benchmarks both internally and externally. FUNDamentals, the software developed by the National Food Service Management Institute (NFSMI), provided the financial data used in the study.

The research proceeded in three phases. In the first two phases, the research design used a case study methodology that included direct observation, systematic interviewing, and a review of SNP records. In Phase I and II, a total of 12 school districts were used for the review of records and documentation. On-site observation and data collection occurred in two of the 12 school districts. In Phase III, simple linear regression and descriptive statistics (means and standard deviation) were used to analyze financial characteristics in a stratified random sample of records from 60 school districts.

School districts in Mississippi, Florida, and Texas that utilize the NFSMI FUNDamentals software were selected as the basis for analyzing SNP operations. Documents and records reviewed were from the 2003-2004 school year beginning July 1, 2003 and ending July 30, 2004. On-site visits occurred in 2005.

Financial reports and data most often mentioned during Phase I of the study as important to analysis of the SNP included the following:

- Cost Analysis Report,
- Statement of Revenue and Expenditures,
- Participation Comparatives,
- Meal Equivalent Reports, and
- Operating Ratios.

School districts in the case study phase ranged from 2,112 to 32,194 in student enrollment. The percent of students qualifying for meal benefits ranged from 36% to 90% of student enrollment and lunch participation ranged from 44% to 78%. Breakfast participation was lower, ranging from 11% to 46% of enrollment.

The average percent of revenue spent on food in the 12 school districts was approximately 35% and an average of approximately 44% was spent on labor. Total labor costs as a percent of total revenue was higher in 11 of the 12 districts than food costs. The difference between labor and food as a percent of revenue ranged from approximately 1% to 30%. Ten of the 12 school districts had an annual revenue gain for the year, while two of the smallest districts ended the year with a loss.

Although all SNPs in the study tracked the amount of indirect cost generated, only three actually paid indirect costs to the school district. None of the schools paid the entire amount

generated. This information indicates that payment of indirect costs by the SNP is most likely a decision made at the district level in the three states included in this study.

The majority (11) of the 12 school districts in Phase II of the study received the largest percent of their revenue from federal dollars. One district received 47% of its revenue from local dollars and 46% from federal dollars. The value of donated commodities accounted for about 5% of revenue in most districts (10) in the study.

In Phase III, statistical analysis was conducted for the purpose of testing the process using data from the NFSMI FUNDamentals database. Means and standard deviations were used to describe variability in meal costs categories. Simple linear regression analysis was used to determine whether a relationship existed between the number of students qualifying for meal benefits and the number of students participating in the school meals programs.

Meal costs ranged from \$1.66 to \$3.55 with an average cost of \$2.24 per meal in the 60 school districts included in Phase III. Most of the cost could be attributed to food, salaries/wages, and employee benefits. The average cost for food was \$0.81, the average cost for salaries/wages was approximately \$0.75, and the average cost for benefits was just under \$0.27 per meal served. When salaries/wages and benefits were added together, the cost of total labor averaged near \$1.02 for each meal.

A Pearson correlation coefficient showed a significant statistical correlation between the daily average participation of students enrolled in the 60 sample districts and the number of students qualifying for meal benefits ($r=.82$). Simple regression analysis revealed that the percentage of students in a school district qualifying for meal benefits was a significant positive predictor of participation in relation to school enrollment ($R^2=.675$, $P,.01$).

Data collected in the research project indicated that the standardized financial reports generated by the NFSMI FUNDamentals software were viable and could be useful in studying trends and establishing national benchmarks. The software allows users to define parameters so that similar schools can be selected anonymously and used for comparing financial data.