

Equity in School Lunch Pricing – Why do I have to raise the cost of my paid lunches?

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Section 205 of the Healthy, Hunger Free Kids Act of 2010 states that:

Effective for the school year beginning July 1, 2011, schools are required to charge students for paid meals at a price that is on average equal to the difference between free meal reimbursement and paid meal reimbursement; Schools that currently charge less are required to gradually increase their prices over time until they meet the requirement; Schools may choose to cover the difference in revenue with non-Federal funds instead of raising paid meal prices.

Other than this being a run-on sentence that would have my Mother, the English teacher, running for her red pen, what does it mean? And more importantly, why is Congress doing this to us and under what authority?

This all stems from a study done a couple of years ago that showed in many school districts, the federal reimbursements for free/reduced price lunches were offsetting the cost of paid lunches that were priced below the actual cost of producing the meal. Pricing paid lunches below the cost of production effectively increases Federal subsidies for higher income children because Federal funds intended for free/reduced price lunches are being used to help offset the difference between the cost of producing the meal and what the school receives for it. In other words, the federal government was indirectly subsidizing paid lunches. Congress, who funds all Child Nutrition Programs, cannot have our Federal tax dollars being used for a purpose they were never intended for and that's where Section 205 comes from.

Implementation guidance is still being developed for this Section and a nondiscretionary interim rule is scheduled to be issued by USDA Food and Nutrition Service in the spring 2011. The most important thing for School Food Authorities to know now is how to determine if paid lunch prices need to be raised. It's equally important to also know that the largest price increase required by this Section is 10¢ and that SFA's still have the authority to raise their prices more than 10¢, if needed.

The first step is determining your average cost for a paid lunch throughout the SFA. If your average cost is \$2.46 or higher, you do not need to raise your paid lunch price. \$2.46 is the difference between the Federal reimbursement for a free lunch (\$2.72) and a paid lunch (26¢). If your average cost is less than \$2.46, you need to calculate an adjusted average paid lunch price. This is done by taking your average cost and multiplying it by an annual inflation factor (1.14% for SY 2011-12) plus 2% for a total adjustment of 3.14%. The results may be rounded down to the nearest 5¢. Here are two examples:

Example 1: Average cost of paid lunch is \$1.50.
\$1.50 x 3.14% (0.0314) equals 0.047 (4.7¢)
Result – may raise paid lunch price by 5¢ or may round down to 0 and keep the same price for SY 2011-12

Example 2: Average cost of paid lunch is \$2.00.
\$2.00 x 3.14% (0.0314) equals 0.063 (6.3¢)
Result – must raise paid lunch price by at least 5¢ for SY 2011-12

Before you say anything, yes, we did notice the incongruity in these examples in that SFA's with paid lunches priced the lowest would not be required to raise their price, while SFA's closer to the \$2.46 point would have to raise them. Unfortunately, this is how the law was written and it's the process we must use.

There are still many good questions needing to be answered on this Section. Commonly heard ones include:

My SFA is already making a nice profit and I'm serving healthy, nutritious food so why would I want to penalize students by raising prices?

My SFA has many poor families whose income is just above the threshold for reduced price meals. This price increase would hurt these families.

Meals that are not priced in increments of 25¢ increase the likelihood of errors at the POS and also slow-down the line. Can I raise my price by 25¢ and then not have to raise it again for the next 2-3 years?

We have an answer to the second question and the other two should be answered in the interim rule due out this spring. For the second question, SFA's may price meals higher at those schools with lower free/reduced price percentages to allow the costs at the schools with the poorest families to stay the same as long as the average cost reflects the increase.