

Subcommittee on Early Childhood, Elementary, and Secondary Education
of the U.S. House of Representatives Committee on Education and the Workforce

“Child Nutrition Assistance: Looking at the Cost of Compliance for States and Schools”

Written Comments to support the Oral Testimony of
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2175 Rayburn House Office Building

Chairman Rokita, Ranking Member Fudge, other members of the Committee, thank you for the opportunity to discuss the cost of meeting the nutrition standards for school meals and snacks.

I have the privilege of serving as the Chief of School Nutrition Services at the North Carolina Department of Public Instruction. Our team of school nutrition professionals is responsible for overseeing the implementation of the federally-funded School Nutrition Programs in all 115 school districts. Nearly 1.5 million students attend our schools.

School officials in North Carolina and around the country are committed to ensuring all students have access to nutritious, appealing, affordable meals at school. There are too many food-insecure students for whom meals at school are not simply conveniences, they are safety nets to provide critical nutrients and energy required for optimal growth and development. School breakfast and lunch programs are important components of the instructional day as they promote students' nutritional well-being while simultaneously advancing their academic success. Our goal in North Carolina is to operate the School Nutrition Programs in a manner that reflects our collective commitment to nutritional, operational and financial integrity.

North Carolina's public schools were among the first to comply with the new nutrition standards for school meals. All of our school districts were in compliance by June 30, 2013. Compliance was also achieved with the Smart Snacks Interim Final Rule, effective July 1, 2014.

I am here today on behalf of North Carolina's Superintendents, Business Officials, School Board Members and Nutrition Directors who are very concerned about the impact of the new regulations that, while well-intended, have increased the complexity of the program and have created unintended consequences.

Despite a demonstrated desire and capacity to meet the new requirements, compliance has come at a significant cost for schools and more important, for our students. Student participation in school meals has declined by 5% under the new rules - a loss of nearly 13 million meals in two years. Not only does this mean that we are not nourishing the bodies and minds of many students when they choose to forego meals at school, but there are other consequences. As participation declines, other areas are affected. For example, USDA Foods' commodity entitlement is tied to student participation. NC's commodity entitlement has been reduced by nearly \$3.4 million as a result of declining student participation.

Compliance provides schools an additional 6 cents per reimbursable lunch served. We are grateful for every penny we receive in the School Nutrition Program. However, 6 cents is simply not sufficient to support the lunch requirements, let alone the cost of serving more whole grains and fruit at breakfast, for which no additional funds were provided. Some newly formulated

whole grain-rich foods and products that meet the Smart Snacks standards cost two to three times more than the items they replaced.

Sadly, we have also seen an alarming increase in food waste as students are forced to take items they do not like and do not intend to eat. The level of waste is especially disturbing in a State where nearly 60% of students are from economically disadvantaged households and 27% of students experience hunger on a regular basis.

As the department began to analyze the costs of compliance, we interviewed School Nutrition Directors across the State asking what was contributing to increased costs, decreased revenues and declines in student participation.

Over 90% of School Nutrition Directors in North Carolina cite the requirement for 100% of all grains to be whole grain-rich products as the leading cause of student dissatisfaction with the school meal programs. While student acceptance of some whole grain-rich products like bread, rolls and buns has been encouraging, student acceptance of other whole grain-rich products has been dismal. When it comes to whole grain-rich variations of biscuits, grits, crackers and corn bread, all too often, students simply toss them into the trash cans.

For two years, School Nutrition Directors have purchased these items, prepared them according to directions and best practices, modified recipes, offered them under ideal serving conditions and repeatedly encouraged students to taste and try these new items. However, students continue to reject them because their taste, texture and appearance, are extremely different from that to which they are accustomed. Students tell us these newly modified items are unpalatable and therefore unacceptable. No amount of training or technical assistance for schools will change students' preferences for foods that look and taste appealing to them.

Biscuits and corn muffins are part of the State's cultural and regional food heritage, just as bagels are traditional in the Northeast and tortillas in the Southwest. These foods are very popular breakfast items; the addition of whole grain flour has created products that are dense, compact, dry and crumbly instead of light, moist, tender and flakey. As products have been transformed to reflect the requirement for all grains to be whole grain rich, some products like biscuits lost their inherent qualities. They look, taste and have a different mouthfeel from the products they replaced. As a result, students perceive them as being of poor quality and choose not to eat them. This product dissatisfaction has contributed to a decline in breakfast participation in 60% of North Carolina's school districts.

North Carolina is nationally recognized for its innovative school breakfast programs. In many school districts, breakfast is offered to all students at no cost. However, students have become increasingly dissatisfied with whole grain rich "imitation" foods, so many stop participating altogether, while others continue to throw food away, which is inconsistent with the intent of the Healthy, Hunger-Free Kids Act.

Thanks to the whole grain waivers Congress provided in the Omnibus Appropriations bill, this year North Carolina has approved 110 waivers from the requirement for all grains to be whole grain-rich. The waivers offer much-needed flexibility for 2,300 schools to provide a greater variety of menu options for students. As schools have been able to transition to serving half of all grains whole grain rich, (or more than half of grains as whole grain-rich in many districts), they are reporting a rebound in student participation, especially at breakfast. We need to ensure all schools have permanent access to whole grain flexibilities as a means of optimizing student participation.

Another unintended consequence associated with the new regulations has been the loss of a la carte revenues under the Smart Snacks rules. In North Carolina, the cost of Smart Snacks compliance has been staggering, with over \$20 million in lost revenues this year. A la carte sales are a critical revenue source for the School Nutrition Program that, for decades, have supported the salaries and benefits for school nutrition employees and helped keep the program financially self-supporting and sustainable.

School Nutrition Directors report the variety of products meeting Smart Snacks standards is very limited and often highly processed. Healthful, a la carte menu items should be a convenient part of the school dining experience and provide nutritious, appealing options for students. However, the ambiguity of the Smart Snacks rules is evident; the rules allow schools to sell diet soft drinks and highly-caffeinated energy drinks, but inexplicably prohibit the sale of many nutritious salads, some vegetables and deli sandwiches due to the limits on sodium.

Perhaps the greatest limitation with the Smart Snacks rules is that the same items served as part of a reimbursable lunch may not be consistently sold individually as a la carte items. One would think that any food or beverage considered healthful enough to serve in the reimbursable school meal program should be allowed to be sold a la carte. Smart Snacks rules unnecessarily limit the variety of foods available to students and ultimately contribute to increased food costs.

All of these conditions are emerging to create significant financial challenges in North Carolina's School Nutrition Programs. Over half of School Nutrition Programs in North Carolina are operating at a revenue loss. The average loss is nearly \$2.5 million.

In addition, since implementation of the new standards, the average operating balance for School Nutrition Programs has been gradually and steadily declining. This reserve fund provides a cushion against unexpected expenses, such as equipment failures, and it is an indicator of the program's financial health. This steady decline is of concern to local Boards of Education, which must use funds from the general education budget to support the meal programs should they become insolvent.

Twenty (20) School Nutrition Programs have negative operating balances, such that local education funds must be used to support the program. Another 21 have a less than one (1) month operating balance and will be unable to pay their monthly obligations (salaries, benefits, food, supplies) at the beginning of the school year without financial assistance from the district's general education funds.

On behalf of North Carolina's School Officials, the department requests your consideration of the following flexibilities in the School Nutrition Program regulations that enable local School Nutrition Directors to operate programs that promote maximum student participation and financial self-sufficiency and sustainability:

- (1) Make the current waivers for whole grain-rich products permanent; maintain the initial requirement that at least half of all grains offered are whole grain-rich;
- (2) Maintain the current Target 1 sodium level until such time as scientific evidence is clear about the role of sodium in the diets of children and adolescents;
- (3) Require school districts to offer as many fruits and vegetables as possible and allow students to select as much as they will eat, but do not require them to force students to take a fruit or vegetable in order to receive reimbursement for the meal;

(4) Modify the Paid Lunch Equity requirement by exempting any School Food Authority that has a positive fund balance from the requirement to increase meal prices for paying students; and

(5) Modify the Smart Snacks standards to allow any food or beverage served as part of the reimbursable meal to be served as an a la carte (or supplemental sales) item in order to expand the capacity to generate School Nutrition revenues through the sale of healthful foods and beverages.

Without flexibilities in the current regulations, many School Nutrition Programs may be unable to continue to sustain themselves financially.

Thank you for your consideration of our requests.