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The FINANCIAL BLOWS OF COVID-19

School closures combined with emergency feeding operations devastated school nutrition program budgets. What's next?

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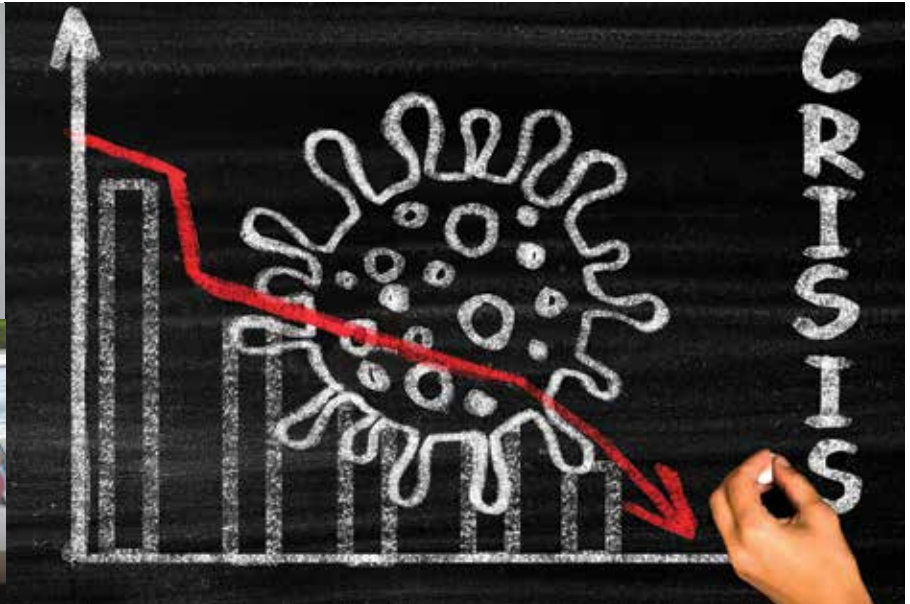
BY BETH ROESSNER

School closures combined with emergency feeding operations devastated school nutrition program budgets. What's next?



For school nutrition departments across the country, the last three months have been a test of determination, organizational and communication skills, grit and compassion. Creating, adapting and sustaining emergency meal efforts (typically within mere days' notice of school closures) was no easy feat, but districts made it work—remarkably well—to ensure students and their families did not lose access to a vital hunger safety net. However, during these unprecedented operations, while some school nutrition departments found they were serving meal counts that matched (or, occasionally, outperformed) their average reimbursable totals of previous years, many operations served only a fraction of the meals they would have under normal circumstances—even with regulatory waivers that allowed them to serve all families in the community, regardless of income.

Despite the good that these emergency feeding operations were doing in supporting families, the financial toll school meal programs suffered was considerable. Between the reduction in meal reimbursements and a complete loss of other revenue streams (such as a la carte, sales, catering orders and concession contracts) for the last third of the school year, the costs



While losses vary by program, emergency feeding profile, district size and many other variables, they help illustrate the serious financial toll of the pandemic—along with the level of dedication and resilience of the school nutrition community.

associated with the emergency operations were not offset by sufficient revenue and began to eat away at department and district fund balances. In a matter of weeks, some school nutrition operations were facing losses in the millions. Now, as districts transition from the official end of the academic year to summer meals to a very uncertain restart schedule for SY2020-21, the crystal ball is decidedly murky as to how programs will bounce back from such a financial wallop.

EMERGENCY FEEDING BY THE NUMBERS

Nearly **1,900** school nutrition directors responded to a May 2020 SNA survey, with **95%** reporting they were actively distributing meals or other emergency food assistance. The vast majority were serving breakfast and lunch, with less than **10%** providing adult meals (non-reimbursable), snacks or suppers. More than **60%** indicated they were

serving entrées/sides to be heated at home and shelf-stable meals, and more than one-third were providing hot entrées. Just over **15%** were providing bulk foods, such as gallons of milk or loaves of bread.

A considerable majority of respondents (**80%**) indicated they were serving fewer meals than during the same time period in a “normal” school year. A surprising **11.3%**, however, were serving *more* meals.

More than **two-thirds** of directors anticipated “an overall financial loss” to their operation for SY2019-20, while another **23%** were unsure. Directors from large and suburban districts were among the most pessimistic, although more than two-thirds of those from all district locations and with enrollments of more than **2,500** were concerned. More than **60%** reported having funds in reserve, but only **55%** expected their reserve fund balance would cover estimated losses.

These numbers confirmed an early preview revealed in research from analysts Datassential in the initial weeks of the pandemic. In that report, **30%** of a small sampling of school districts found their school nutrition business down **100%**. Although the financials were undeniably grim, nearly all the K-12 directors surveyed were confident—or at least cautiously optimistic—about the future.

It only took 10 to 12 weeks for school nutrition departments to sustain crippling losses that could reverberate for years. While losses vary by program, emergency feeding profile, district size and many other variables, they help illustrate the serious financial toll of the pandemic—along with the level of dedication and resilience of the school nutrition community.

HIGHER EXPENSES, LOWER REVENUES

The specifics of emergency feeding operations varied among school districts,



but one constant is that every decision carried a price tag. For example, most districts provided meals to cover official “school” days, but some were serving multiple meals seven days a week. A number of large, urban districts also served adult meals. While USDA waivers allowed districts to claim reimbursements for weekend meals for children, there was still an impact on food costs.

The multiple meal model, along with the need for production efficiency and food safety standards, led many districts, especially larger ones, to rely on pre-packaged, shelf-stable entrées and sides, which tend to carry a higher cost than using bulk ingredients in traditional meal service. Procurement challenges, family preferences and item shortages meant some districts had to get creative in finding substitutions on the fly, which had an impact on food costs (see the box on page 5). Some districts struggled to find use for food items already in their warehouses—or with their distributors—that were not suitable for their grab ‘n’ go pivots. And, nationwide, April saw the sharpest one-month increase in food costs since 1974.

Food costs were not the only area of expenses that changed radically in the new meal service model. In some communities, there were restrictions on which school sites could be used to prep meals. This led to unexpected transportation costs or the need to purchase additional refrigeration equipment. Other unforeseen expenses included



SCHOOL DISTRICT SNAPSHOT

An at-a-glance view of the districts featured in this article.

Bellevue (Wash.) School District

- Total Enrollment: 21,000
- Percentage Free/Reduced: 17%
- Meals Served Since Schools Closed: 100,000
- Meals Normally Served During This Period: 420,000
- Projected Loss: \$1.2 million-\$1.5 million

Chesapeake (Va.) Public Schools

- Total Enrollment: 40,184
- Percentage Free/Reduced: 38.78%
- Meals Served Since Schools Closed: 59,750
- Meals Normally Served During This Period: 459,200 breakfasts and 824,600 lunches
- Projected Loss: \$2.8 million

Fairbanks (Alaska) North Star Borough School District

- Total Enrollment: 13,000
- Percentage Free/Reduced: 37%
- Meals Served Since Schools Closed: 172,323 breakfasts and lunches
- Meals Normally Served During This Period: 280,640 meals plus 11,538 after-school snacks
- Projected Loss: \$400,000-\$500,000

Franklin Township (N.J.) Community School Cooperation

- Total Enrollment: 7,050
- Percentage Free/Reduced: 47%
- Meals Served Since Schools Closed: 32,500 breakfast and lunch (March and April)
- Meals Normally Served During This Period: 4,200 lunches and 2,500 breakfasts per day
- Projected Loss: \$450,000-\$500,000

Kanawha County (WVa.) Schools

- Total Enrollment: 26,574
- Percentage Free/Reduced: 73%
- Meals Served Since Schools Closed: 820,000 breakfasts and lunches (About 14,000 breakfasts and 14,000 lunches per day)
- Meals Normally Served During This Period: 11,000 breakfasts and 14,000 lunches per day
- Projected Loss: \$3 million

Minneapolis (Minn.) Public Schools

- Total Enrollment: 35,000
- Percentage Free/Reduced: 54%
- Meals Served Since Schools Closed: \$1.2 million
- Meals Normally Served During This Period: 40,000 breakfasts, lunches and suppers per day
- Projected Loss: \$500,000-\$1 million

*Meals Served Since School Closed was calculated in late May 2020.



Losses from a la carte sales, catering, salaries and refunds, depleted emergency feeding operations budgets—it all adds up. Trying to stay optimistic takes a lot of work when you look at the numbers.

procuring personal protective equipment (PPE) for staff members, as well as tents, tables, carts, thermal bags, disposable foodservice packaging and bulk packaging equipment.

In addition, many school districts honored employee contracts, paying wages and benefits regardless if an employee was working in emergency meal operations or staying home. On top of this, some school nutrition operations provided higher hourly wages, stipends or “hazard pay” for those staffers who *were* working on the front lines.

On the other side of the balance sheet were the hits to the revenue streams that most school nutrition departments rely upon to cover “normal” operational costs that meal reimbursements simply can’t meet, especially in districts in more affluent communities. A la carte sales, vending, catering operations, concessions—all of these were on hold and represented a significant blow.

BEHIND THE NUMBERS

Even more compelling than this staggering summary of financial challenges are some of the specific stories behind the accounts payable and receivable spreadsheets.

“We typically bring in about \$1 million a year in a la carte sales,”

explains Wendy Weyer, RD, SNS, Nutrition Services Director at **Bellevue (Wash.) Public Schools**. “Roughly we lost about a third of the school year and about a third of that \$1 million was unrecovered a la carte sales. Plus, a couple thousand [was lost] in catering. That extra revenue to support the program...all of that stopped.”

“We have no cash revenue at all,” reports Margaret DeBlasi, RD, SNS, Director of Food and Nutrition at **Franklin Township (N.J.) Community School Cooperation**. “[Also] the amount of reimbursements I used to get is only now at 20%, and I’m still paying my whole staff because I haven’t laid anyone off. That includes medical benefits and pension contributions.”

The current meal counts out of **Chesapeake (Va.) Public Schools** are considerably less than the average school year. Larry Wade, SNS, Director of School Nutrition Services, is trying to stay optimistic, “but it’s taking a whole lot of work. When you look at the numbers, they are kind of dire,” says Wade. “Now that we’re gearing up for summer feeding, we’re trying to make up some traction of revenue.” But that has its own challenges, as his program typically operates at sites offering summer school or enrichment activities. Without such onsite programs,

“We try to project, predict and pray for what we would be doing in the course of the summer,” says Wade.

In addition to lost reimbursements and revenue streams, Amy Rouse, SNS, Director of Nutrition Services, had to process over \$5,500 in account refunds at **Fairbanks (Alaska) North Star Borough School District**. “When the pandemic hit, parents requested that money back. That’s money they would have spent with us if the kids would have been in school.”

BACK TO BLACK?

Some resourceful districts are finding ways to stanch the bleeding. “Between March 17 and 27, we served 40,000 meals. That’s about what I used to serve in *one* day,” explains Bertrand Weber, Director of Culinary and Wellness Services, **Minneapolis (Minn.) Public Schools**. But as Weber and his team pivoted to centralized food production, a decrease in the total number of meal pick-up sites and providing all of the week’s meals in a single bulk “box,” they found their meal counts increasing. “We’re now averaging between 41,000 and 45,000 meals per day. We’re actually *above* our average,” says Weber.

Nonetheless, he is anticipating losing about \$500,000 this school year. “That’s actually about a million-

dollar flip because we were projected to contribute about \$500,000 to the fund balance,” he explains. Still, he’s grateful that the team found ways to minimize the damage. “Until we made the switch with meal boxes, our initial projection was that we were going to run out of fund balance by the second week of June.”

In general, school nutrition directors have different options available to help them cover unanticipated financial losses. If they’ve maintained their own healthy reserves, they can tap into that balance first, although it will mean putting on hold other plans for those monies, such as new equipment purchases or special initiatives.

Some districts are starting or

expanding a summer foodservice program, with high expectations for the reimbursements, especially with lowered labor expenses now that the school year is over. In many communities, this will be a simple extension of the emergency meal service they’ve already been doing, which means they have the process and procedures already worked out.

Many school nutrition operations likely will turn to the district’s general fund to make them whole for the past school year. Other options include grants, certain state agency funds, deep expenditure cuts or the creation of new revenue streams. Overall, getting back to black is a process that will vary both by district and by state.

For Rouse, the pandemic exacerbates a longstanding challenge. “In Alaska, [school foodservice] expenses are generally more than revenues brought in,” she reveals. “There’s the old adage that food is supposed to take 40% of your revenue, labor 40% and that leaves you 20% for everything else. Our labor is pushing 70% of our revenue. We were already in a position that wasn’t that strong.” Rouse plans on emptying her operation’s reserves and then covering the remaining difference with the district’s general fund. Per state regulations, she must begin the next school year without a deficit.

“I’m one of those people that gets written up on the audit every year for having more than three months’

SUPPLY CHAINS, PRODUCT COSTS AND USDA



During emergency feeding operations, many school nutrition directors experienced firsthand disruptions in the supply chain, as well as unexpected increases in certain product costs. For example, in Fairbanks (Alaska), Amy Rouse, SNS, Director of Nutrition Services, saw unprecedented increases in such staples as aluminum foil, canned fruit and oatmeal. A huge procurement issue was white milk—families couldn’t get enough. “We went through way more white milk in meal distributions than we do when school’s in session.” Her hypothesis was that as parents picked up the meals, they selected white milk over the flavored options.

Bertrand Weber, Director of Culinary and Wellness Services, Minneapolis (Minn.) Public Schools, reports shortages with school meal essentials like pre-made peanut

butter-and-jelly sandwiches and packaged baby carrots. “This [crisis] exposed some flaws in our food system, and we need to start thinking differently,” Weber explains. “[We’re] starting to think differently about what food can look like and how we can diversify our offerings. I think that’s [a positive] that will come out of this.”

It was an uphill battle for Diane Miller, SNS, Executive Director of Child Nutrition and Food Services, Kanawha County (WVa.) Schools, to procure certain items—fruits, vegetables and deli ham—and she felt really let down by her distributor. “Looking forward, if it is going to take eight weeks for them to rebound...it’s definitely in the back of your mind thinking that ‘I know there are other vendors busting at the seams to help us, and our own vendor has seven or eight counties. They didn’t even care that we couldn’t get our food.’”

Another complication of Spring 2020’s lower meals counts is the potential impact they could have on USDA Foods’ allotments for the fall. At press time, none of the interviewed directors had received guidance from their state agencies on this, but all are hopeful something will be done to ensure they don’t lose those commodity dollars. “I just can’t imagine USDA would punish us in that manner. We’ve placed our orders in good faith, and we expect them to be fulfilled,” notes Rouse. “But the challenge with that is going to be availability—is USDA going to be able to find manufacturers to fulfill those contracts? And if they can’t, we will just lose those commodity value dollars, and that’s going to cause another issue.”

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There are a lot of unknowns about what we are going to be able to do. Yes, districts can make the decision to offer meals [under any circumstance] and they may not care about getting [adequate] reimbursements. But there are a lot of districts that can't afford to do that.

operating expenses in the bank,” says DeBlasi. “Which is a good thing because now I *need* that money...I have enough money in my own funds to cover my losses for this year.”

Weyer plans on working with her district administration to cover the department's losses with the general fund, and she is grateful for the safety net. “But we know that using this safety net has an impact on other things the district needs to do. I certainly expect that, as we move into the next school year, there will be a request that we look at how to minimize the loss as much as possible.”

BUDGETARY WOES

After the mounting costs of school closures and emergency feeding operations depleted budgets, directors are looking ahead to an uncertain future. No matter the specifics of the return to school, they know it will be a challenging year—and they no longer have a cushion of their own reserves to rely upon. “You either increase your revenue or decrease your expenses,” explains Weyer. “Until we know what our picture looks like for the fall, it's really difficult for me to figure out how I balance those. If we're truly in a serving-in-the-classroom situation, my labor costs are going to go up.”

Her peers are in the same boat, and they are beginning to brainstorm a

variety of cost-cutting considerations. It might mean furloughing staff or reducing hours. Pay raises are likely to be on hold. Districts with negotiated staffing agreements not only will have difficult conversations about changes in benefits, but there are sure to be new discussions about PPE supply, as well as policies regarding wages during rolling closures or temporary quarantines. Directors are also reevaluating planned equipment and technology upgrades, while simultaneously considering new purchases to help them manage various meal service models. New initiatives—ranging from uniform changes to culinary training offerings to the launch of niche menu stations—are expenses that likely will be pushed to SY2021-22.

The uncertainty prompted Wade and his team to draft *three* different budget scenarios. “We had to create a budget based on what we're doing now, one for what a hybrid would look like...and a traditional model for when things get closer to what they *used to* look like.” The first two models are likely to mean losses, says Wade.

When interviewed in late-May, DeBlasi had not yet rewritten her budget for next year, and she was particularly flummoxed in how she will handle labor expenses, which account for the biggest chunk of her budget. “I don't think I can lay anyone off,” she says. “I have a union shop, and they've got

contracts that are negotiated for three years. The only thing I was able to do was give 15 people fewer hours on their contracts.” DeBlasi also does not *want* to lay off anyone from her team, knowing “everyone is in a bind right now.”

At **Kanawha County (WVa.)**

Schools, the school nutrition budget for SY2020-21 has been rewritten. At the heart, says Diane Miller, SNS, Executive Director of Child Nutrition and Food Services, are lowered projected meal counts. “It's set at a lower expectation than a higher one,” she explains. “If meals increase, then I just have to cover the food costs. Labor is controlled.”

How each district decides to reopen their buildings—if they choose to reopen at all—will be incredibly nuanced and individualized. What next year's breakfast and lunch periods look like is directly dependent on the model of learning that superintendents and principals choose for their districts and buildings—probably a combination of remote learning and staggering when classes or grades come into the building by days of the week, weeks of the month or times of day. Another meal count wrinkle? Some parents may opt to keep kids at home. Directors are scenario-planning for multiple models, including a blend of meals served in school and sent home.

“There are a lot of unknowns about what we're going to be able to do,”

OTHER LOSSES



School nutrition directors are also concerned about taking steps backward in recent gains made to provide a wider range of tempting, nutritious, fresh entrées and sides. And their concern is not just about failing to meet subjective quality benchmarks, but about the impact it will have on participation.

“It’s not going to be a beautiful cafeteria the way we used to have, with all the variety of products and beautiful fresh fruits and vegetables for [students] to choose from,” laments Margaret DeBlasi, RD, SNS, Director of Food and Nutrition, Franklin Township (N.J.) Community School Corporation. “It’s going to be really scaled down to maybe one or two choices...I don’t think we’ll be able to offer the variety and the quality... If we have to bring meals into the classroom, it’s going to be limited, and that may make our counts go down, too.”

Diane Miller, SNS, Executive Director of Child Nutrition and Food Services, Kanawha County (W.Va.) Schools, is incredibly worried about the impact that menu changes could have on a child’s nutrition. If next year’s meals have more emphasis on pre-packed foods, that could have a significant impact on the nutritional progress made in her district. It could be a step backward in child nutrition. “It took me years to get salad bars at all 68 schools,” she explains. “Years to get rid of doing so much processed food. We were meeting all the sodium levels. We were *there*. If we have to go to more pre-packaged food, it’s going to throw the plan and the analysis off.”

Rouse says. “Yes, districts can make the decision to offer meals [under any circumstance] and they may not care about getting [adequate] reimbursements. But there are a lot of districts that can’t afford to do that, and ours is one of them.”

Regardless of the model—or *models*—that are chosen for meal service, many directors are in the middle of a grim guessing game, projecting another tough year of reduced participation, additional revenue losses and higher expenses. Wade has a hunch that he will be unable to offer a la carte items, especially if meals are served in classrooms. He would much prefer the students be given an opportunity to continue coming to cafeterias. “We may be asking Scotty to beam them in,” he muses. Vending machines are likely to be turned off, requiring too much sanitization or monitoring. Schools are also unlikely to host events, and even meetings, that used catering services.

BRIGHT SPOTS IN A BLEAK PICTURE

The crushing financial toll of school closures is just one lens for viewing school nutrition during COVID-19. The internet has exploded with heartwarming stories from emergency feeding operations, as the world was able to see the dedication and work ethic of those in the school nutrition profession. Acting as first responders to a potential hunger crisis, school nutrition operators stepped up. The community appreciation for what operators did has been immense. The increase in positive media exposure for all these efforts could greatly impact how outside stakeholders view school nutrition departments in the future.

“As we’ve seen across the country, all of a sudden, the lunch ladies are the unsung heroes,” explains Weber in Minnesota. “I really trust this will be long-lasting with their value and their worth being elevated within their district to where it has not been in the

past...We finally have reached a point—unfortunately, it took COVID-19—but districts are realizing [our program is] not just a safety net; it is a necessary thing that our students and people *need*. I think the value of our programming has been elevated. And hopefully we can maintain that moving forward.”

The inspiring resilience of school nutrition professionals is also readily evident. “You know what? We’re Nutrition Services. We do what needs to be done and fake it till we make it,” Rouse reflects. “There’s not a doubt in mind, whatever the fall looks like, [my team] is going to make it happen. They’re going to feed kids and do it the best and safest way they know how.” **SN**

Beth Roessner is senior editor for School Nutrition and can be reached at broessner@schoolnutrition.org.



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