



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

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Child Nutrition Programs Challenged to Meet Nutrition Standards, Maintain Participation, and Remain Solvent

Summary

NC Session Law 2010-115 charged the Program Evaluation Division with examining Child Nutrition Program indirect costs and strategies to increase nutritious foods in schools. Child Nutrition Programs are operated by each of North Carolina's 115 school districts. Despite federal reimbursements, on average schools lose money on each school meal sold and must generate revenue to cover costs, most often by selling à la carte foods to children.

Viability of Child Nutrition Programs depends on a delicate balance of cost, nutritional value, and student participation. The challenges of this "trilemma" are exemplified by data showing 52 programs operated at a loss between Fiscal Years 2007-08 and 2009-10. Although approaches to increase standards and maintain revenue have shown some success, North Carolina tested higher nutrition standards in 2005 with daunting results: programs lost money and participation dropped. Although these nutrition standards are not currently required, many programs follow them.

The lack of formal guidelines for indirect cost assessment at the local level challenges program solvency and adds to cost pressures on Child Nutrition Programs. Indirect costs are a small proportion of program expenses but they are controversial because they are assessed at the discretion of each school district. State guidance on indirect cost assessment has not alleviated concern about their contribution to program insolvency.

North Carolina is among a minority of states that do not supplement federal funding beyond the required state match. States that provide additional funds use several strategies that take financial pressure off programs and promote higher quality meals. With limited options to ensure financial viability in North Carolina, programs may adopt other strategies to address the trilemma.

These findings illustrate fiscal and nutritional challenges facing Child Nutrition Programs. A new, well-designed pilot to establish the cost and processes needed to fully implement current state nutrition guidelines and maintain solvency would be the best way to address these issues. However, a pilot program is not advisable in light of impending revised federal nutrition requirements that will have precedence over state guidelines.

To address the identified issues, two recommendations suggest action by the General Assembly. First, school districts should be prohibited from assessing indirect costs to Child Nutrition Programs unless programs are fiscally solvent. Second, funding administrative support for the North Carolina Procurement Alliance would promote cost savings provided by the alliance and reduce expenses for Child Nutrition Programs.