

Higher Food Costs Are NOT The Best Solution To Childhood Obesity



Finance is the art of passing currency from hand to hand until it finally disappears.
Robert W. Sarnoff

**Testimony of Pavel N. Matustik, CAO
Santa Clarita Valley School Food Services Agency**

**Before the House Committee on Education and Labor
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My name is Pavel N. Matustik and I am the Chief Administrative Officer for the Santa Clarita Valley School Food Services Agency (SCVSFSA.) Our organization is a Joint Powers Agency (in some other states it would be called an Intergovernmental Agency) established by five local (relatively small) school districts for providing school meals to their students. It is important to mention that before they started the JPA these five school districts were regularly supporting their food service operation from their general funds. The districts joined together and borrowed over \$5.5 million to start the Agency. Today our operation is so successful that we have repaid \$4.8 million to the member districts - just this past school year (07/08) we paid back \$700,000 to our members.

Presently we provide food for 42 schools with an enrollment of over 30,000 students. Some of our schools have attendance over 1,000 students; others have as few as 250 pupils. We serve about 15,000 lunches and 4,000 breakfasts a day. In the elementary schools we offer 5 menu choices daily, and in secondary schools there are a minimum of ten choices. We have salad bars in all of our schools. Our JPA employs 172 people and the majority (about 75%) are part time workers. The Agency reports to the Board of Directors - each member district has one representative on the Board. This is usually a superintendent or the business manager.

It needs to be noted, that the school food service operation is the only public school segment that is expected to be fiscally self-sufficient and operate without any help from

the districts' general funds. It is the only school district's department, that is expected to be run as a business. As one of my mentors, Mr. De Burgh, likes to say: I don't know a school food administrator fired for serving a fat-burger, but I certainly know many who lost their job because of their negative cash flow...

Our operation in Santa Clarita has been hit with the same woes as the rest of the school food service industry in the country: the horrendous increases in the cost of fuel, energy and agricultural commodities are starting to have a rather negative impact on our "bottom line". I'm sure that the committee members are well aware of these facts and you can find some of the numbers and charts in the appendix. (Appendix I)

As I previously mentioned (and every other presenter today has the same message) the costs of labor, statutory benefits, energy and agricultural commodities are rising faster than the core inflation. The other incoming conundrum is the fact that thanks to the slowing economy and lower tax receipts the school district budgets are hit hard as well and it will be hard for them to fiscally support their food service operation. The question in front of all of us is: How can you and our government help, and how can we help ourselves?

Before I start asking for more funds, which would certainly help the child nutrition entities across the country, let me share with you how our organization copes with these challenges.

1. Five small local school districts established a new joint governmental entity with one goal: to provide affordable nutritional meals to their students without

any encroachment on their general funds. The JPA immediately gained:

- a. Increased purchasing power;
- b. Fundamentally sound and knowledgeable administration;
- c. Ability to train staff and increase the employees' professional knowledge and attitude;
- d. Eliminated any encroachments on districts' general funds.

Consequently, the JPA is able to return some of the funds back to the districts.

It is my opinion that this is a business model, which should be copied all across the country - the savings for our education entities would be enormous.

2. It was always a philosophy of our organization to fight the "reverse Robin Hood" syndrome. There is no reason (other than political) for school districts to charge for the paid meals less than what the Federal Government sees as a necessary reimbursement rate. (Appendix II)
3. A well-run USDA commodity program can represent as much as 20% of any school food service operation's food budget. Thanks to your guidance and the USDA's leadership the commodity programs today are a huge advantage to school systems that know how to use them. The national processing agreements, direct diversion programs, the fresh fruit and vegetable programs, the additional funds (\$40 million for 2008 and \$50 million for 2009 released just a week ago) are all helping to meet our challenges.
4. About eighteen months ago, using direct shipments of the USDA commodity low fat mozzarella cheese and USDA commodity fresh tomatoes we started to

prepare are own (“home made”) lower fat, whole grain fresh pizza, which we deliver daily to all our schools as a part of our daily five menu offerings. With the commercial distribution cost going up (fuel) and manufacturing costs going up, we were able to save over \$150,000 in that period of time and at the same time were able to serve a healthier product. This year we started with healthier, lower fat (“home made”) burritos *a la* Chipotle and the students’ response is very positive.

5. 200 school districts in CA created a commodity processing and procurement cooperative. This co-op established long term (2 -3 years) contracts with over 50 manufacturers with guaranteed pricing, which is 99% better than the rest of the CA school operations. Yes, we have some manufacturers trying to renegotiate the contracts, but so far we were able to keep most of the prices within our agreements.

It is my opinion that all school districts, but especially the smaller entities, should look into establishing commodity processing and procurement cooperatives. To this day the commodity processing and procurement decisions are often left with the individual state distribution agencies, which may or may not know the needs of the school districts.

There are also ways for you, our representatives, to help the school child nutrition operations across the country without any additional financial obligations.

1. Help eliminate no value costs from our programs. The USDA delivers the commodities to processors (or our warehouses) for free, but many states charge the schools a “handling fee”. In California, for example, it is \$1 for every case

of any commodity we send to our manufacturers or receive directly from the USDA to our warehouses – the state literally doesn't touch these cases at all. This is on the top of the funds (SAE) the state is receiving from the USDA. California's take (discretionary and non-discretionary funds) is over \$20 million. Over \$1.3 million is for food distribution! Only from our co-op (and therefore our children) the state of California is taking over \$1,000,000 a year!

2. Every year the USDA "rolls over" the commodity entitlement for each state regardless of whether the state under-spent or overspent during the preceding year. Because the price of the purchases changes, it is impossible for a state to "hit" the entitlement figure exactly. The USDA recognizes this and allows the state to carry over unspent dollars or to take overspent dollars out of the next year's entitlement. However, quite a few states do not allocate the overspent or under spent dollars based on the district previous year's performance. Therefore, it can happen that a district that didn't spend its entitlement one year will never see its funds again. The USDA should be required to have the states roll over entitlement (both over and under) to the districts that have the differences. This should be done for at least one year before the state is allowed to spend the money randomly.
3. The USDA has been working for some time now on a pilot program to allow districts to use the entitlement dollars for purchasing fresh pre-cut produce from commercial channels. This program can become a great benefit to all districts. Work with the USDA to eliminate any remaining hurdles.
4. As you all probably well know, milk **must be offered** with every lunch and

every breakfast. An increase of 1 penny per serving negatively affects our operation by \$27,000 a year - this represents almost 1% of our labor cost.

Nationwide, the number is even more staggering - 1 penny could increase the cost of providing school meals by \$54,000,000 a year! And the cost of milk in California went up on average by \$0.04 - 20% from 2006/07 levels! (Appendix III) There is an obvious question which will probably anger every dairy farmer in America and therefore a sane person would never ask; but because I'm a foreigner and a canceled Czech who doesn't know any better I will: do we have to really offer milk with every breakfast and every lunch we serve?

5. Consider researching a national science based nutritional standard. Right now we are in danger of having 50 different nutritional standards all created for the good of our children, all of them just a slight variation from each other but making it more expensive for the manufacturers and therefore for the schools as well.

In conclusion I would like to reiterate that there is a need to find a unifying solution to the impact our schools feel because of these fairly sudden increases in food and energy costs.

I believe that a long-term solution can only be found if school districts and Congress consider some of the proposals I have spoken about – let's remember that every dollar saved from the general fund can go back to the classroom.

Thank you for this opportunity to testify in front of your very essential committee.

RISING Cafeteria Costs in California

State April '07 Cost April '08 Cost % change



1% LOW FAT MILK, 1/2 PINT

California	.1619	.1981	22.4% ↑
Pennsylvania	.2673	.2863	7% ↑
Colorado	.2050	.2450	19.5% ↑
Ohio	.1577	.18828	19.4% ↑
Minnesota	.137	.156	14% ↑
Texas	.1750	.225	29% ↑



WHEAT BREAD, ONE POUND

California	.6750	.8250	22.2% ↑
Pennsylvania	.87	2.06	137% ↑
Colorado	.9880	.9880	0
Ohio	.99	1.05	6% ↑
Minnesota	.81	.85	5% ↑
Texas	1.49	1.49	0



AP FLOUR, ONE POUND

California	.1958	.3800	94.1% ↑
Pennsylvania		.52	
Minnesota	.225	.512	128% ↑
Texas	.21	.21	0



FRESH GRAPES

California	.6900	.7800	13% ↑
Pennsylvania		2.25	
Colorado	1.02	2.13	109% ↑
Ohio	N/A	2.76	
Texas	1.58	1.67	6% ↑



TOMATOES, ONE POUND

California	1.05	1.50	42.9% ↑
Pennsylvania	.92	1.11	21% ↑
Colorado	1.15	1.46	27% ↑
Ohio	N/A	.92	
Minnesota	1.05	1.20	14% ↑
Texas	.90	1.05	17% ↑



APPLES, ONE POUND

California	.5200	.6200	19.2% ↑
Pennsylvania	25.00(100ct. case)		
Colorado	.56	.76	36% ↑
Ohio	N/A	37.45 (113 ct. case)	
Minnesota	16.65	20.55 (138 ct. case)	23% ↑
Texas	28.98	23.46	-24% ↓



CHEESE, AMERICAN ONE POUND

California	1.52	1.45	-5% ↓
Pennsylvania	.60	1.01	68% ↑
Colorado	1.23	2.28	85% ↑
Ohio	1.7605	1.971	12% ↑
Minnesota	USDA	USDA	
Texas	2.09	1.99	-5% ↓



5-COMPARTMENT TRAYS, 500 CT.

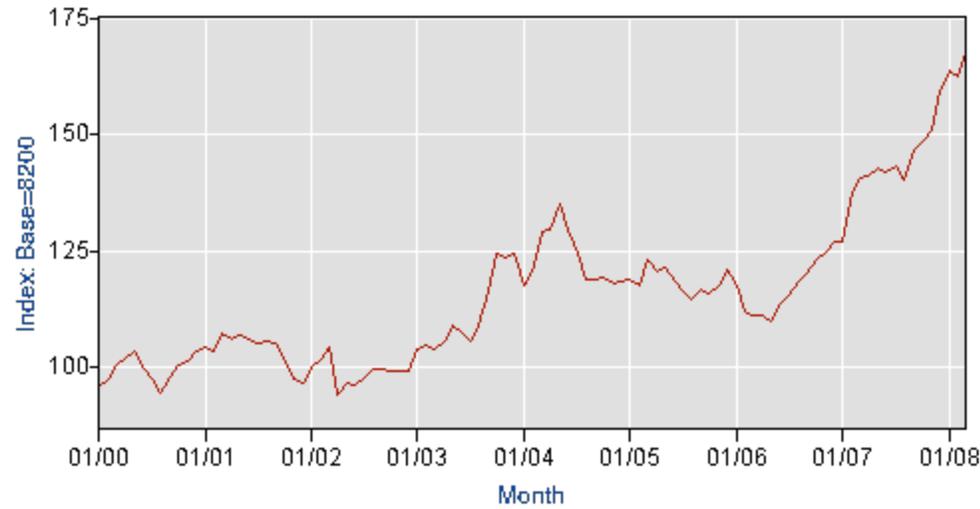
California	16.50	16.65	.9% ↑
Pennsylvania	17.39	39.20	125% ↑
Colorado	31.80	32.55	24% ↑
Ohio	21.86	23.77	5% ↑
Minnesota	17.33	17.23	-.05% ↓
Texas (six compartment)	21.16	22.80	78% ↑



SPORK PACKETS, 1M

California	10.29	10.95	6.4% ↑
Pennsylvania	25.20	16.55	-52% ↓
Ohio	14.15	12.48	-13% ↓
Texas	13.93	6.89	-102% ↓

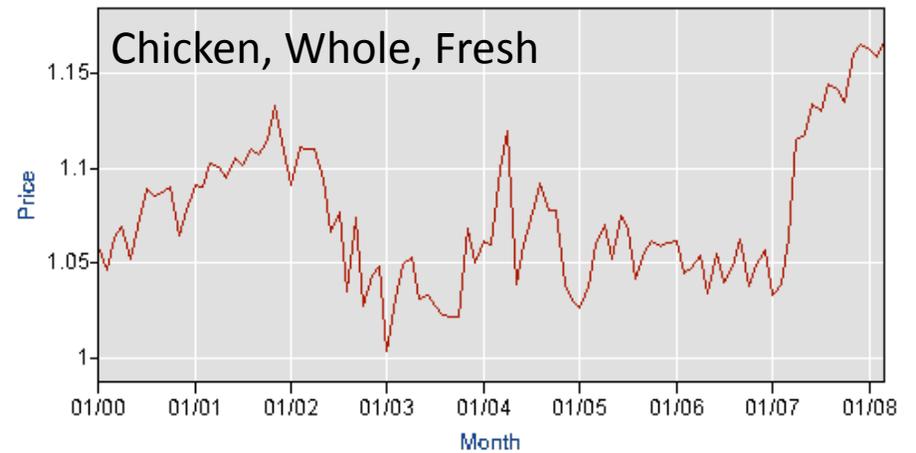
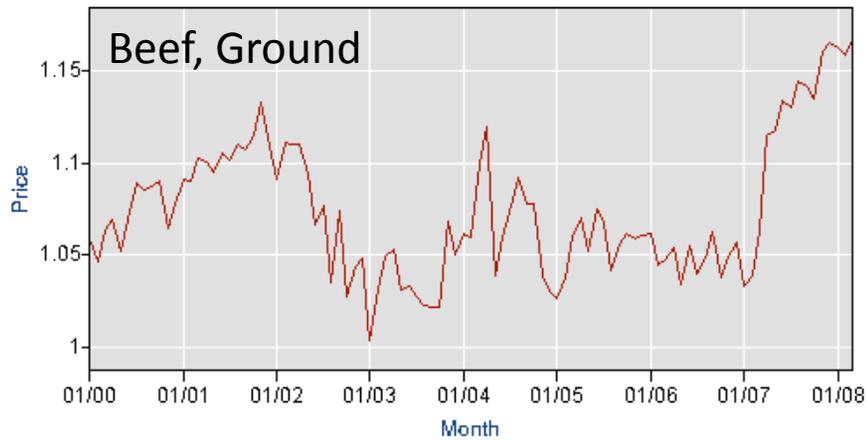
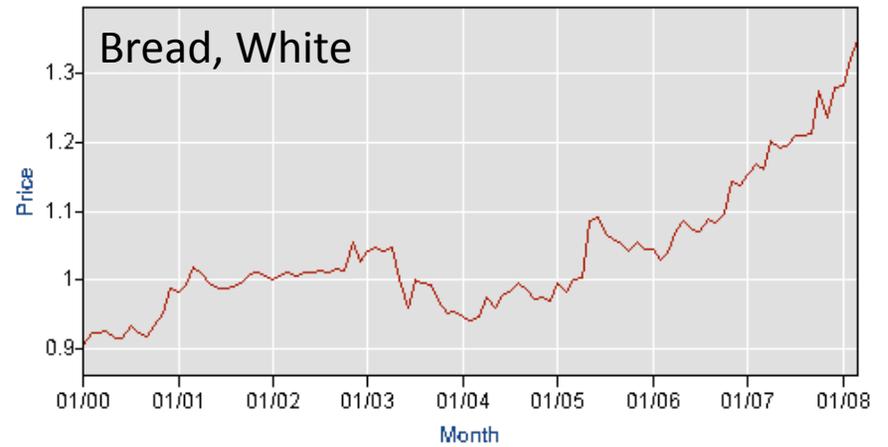
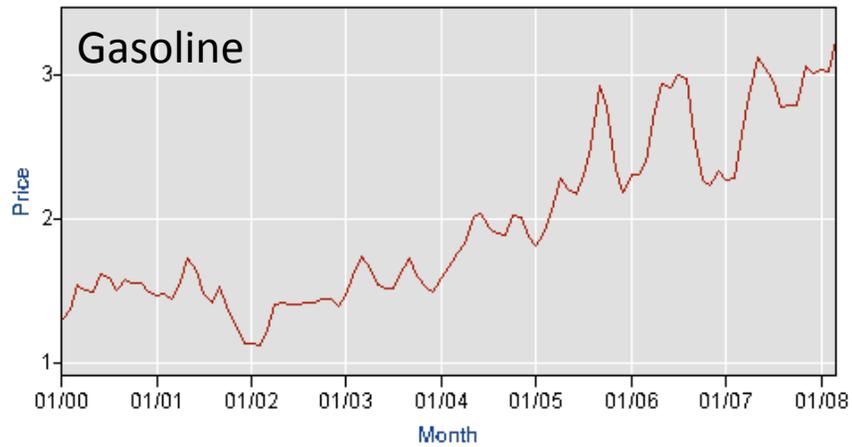
Farm Products



2006	117.4	111.9	111	111.3	109.8	113.8	115.5	118.5	120.3	123.2	124.5	127
2007	127.1	137.5	140.6	141.3	142.7	141.8	143.4	140.4	146.8	148.2	151	159.6
2008	163.6	162.4	167.8									
	8.26%	22.88%	26.67%	26.95%	29.96%	24.60%	24.16%	18.48%	22.03%	20.29%	21.29%	25.67%
	28.72%	18.11%	19.35%									

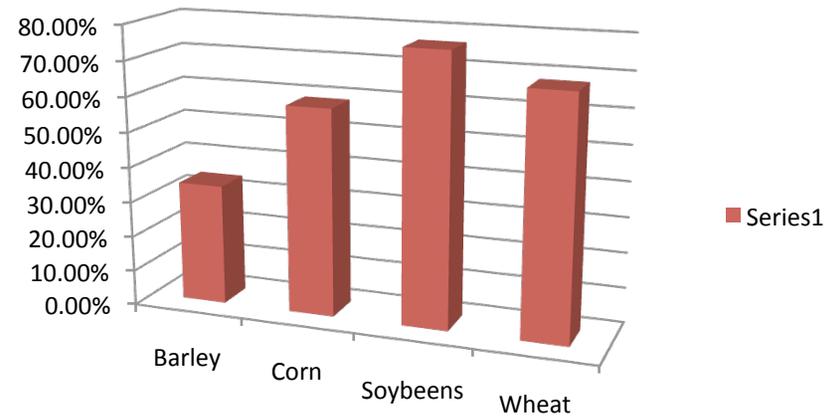
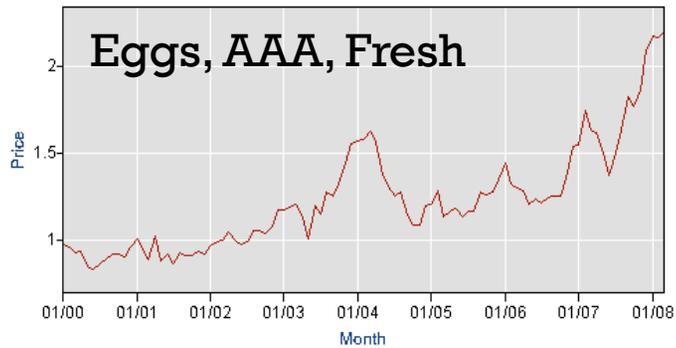
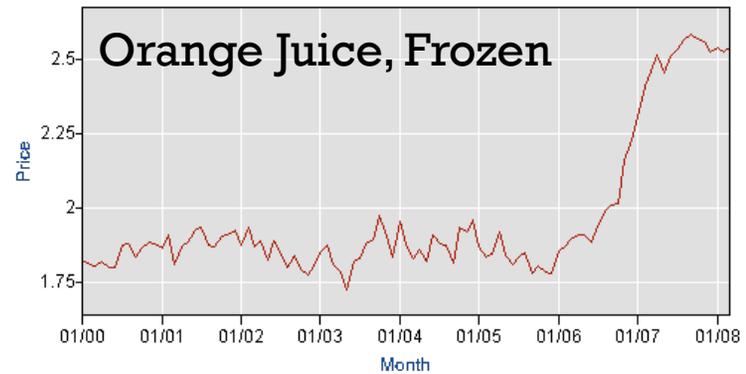
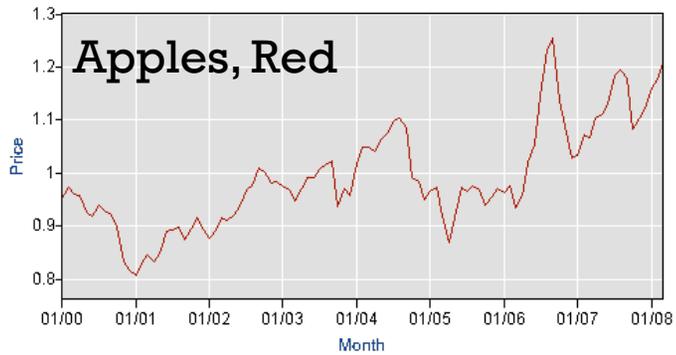
Appendix I a

Basic “Staples”



Appendix I b

Basic “Staples” (cont.)



Appendix I c

Sample Lunch Price Increases for 2008/09

Price Increases Week of 6/30/08 to 7/3/08 – source SNA

Rutherford County NC	\$1.50 and \$2.00
Clinton County NC	\$1.75
Rapides Parish LA	\$1.50 and \$1.75
Missoula County MT	\$1.90 and \$2.00
Brown City MI	\$1.80 and \$2.00
Richmond County NC	\$1.50 and \$2.00
Apache AZ	\$2.00 and \$2.25
Rowlett TX	\$2.25 and \$2.50
Garland TX	\$2.25
Rutherford County TN	\$2.00 and \$2.25
Stow-Monroe OH	\$2.50 and \$2.75
Nashua NH	\$2.50 and \$2.75
Aztec NM	\$1.75 and \$2.00
Brookline MA	\$3.00 and \$3.25
Pontotoc MS	\$2.00
Kanawha WV	\$1.75 and \$2.00
Marlboro County SC	\$1.75
Santa Clarita VSFSA	\$2.75

Districts literally from coast to coast and Canadian border to Mexican Border.

Only a handful of districts with price a price increase big enough to bring paid meals to the federal reimbursement level.

JPA's Cost and Income 2007/08

Lunch Cost

Food	0.908
Supplies	0.069
Labor and Benefits	1.513
Other (misc)	0.138
	\$2.626

What They Pay

	Feds	State	Student	TOTAL
Free	\$ 2.47	\$ 0.22	\$ -	\$ 2.69
Paid	\$ 0.23	\$ -	\$ 2.38	\$ 2.61

JPA's 2008/09 Cost and Income

(estimates without increasing the lunch price)

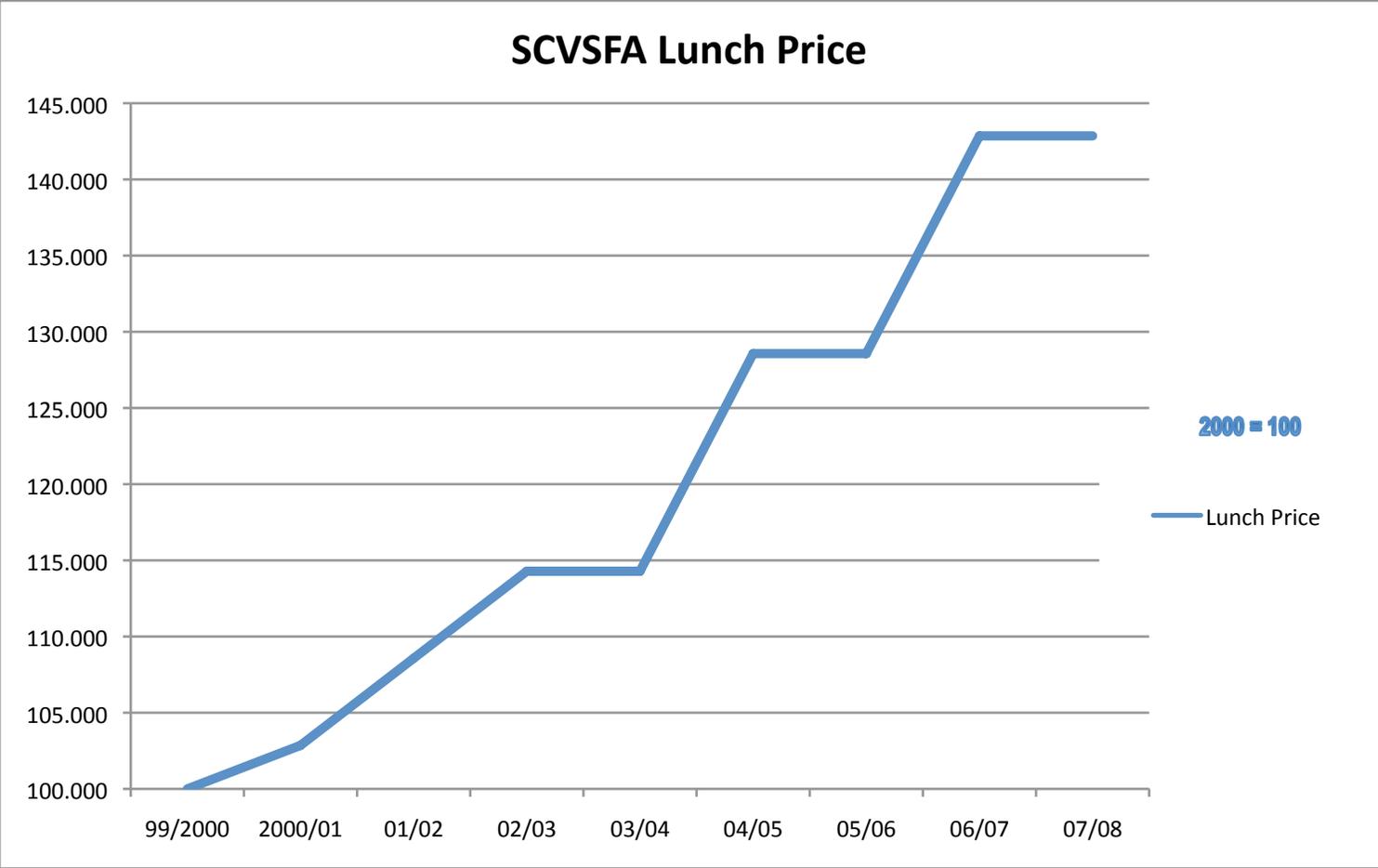
Lunch Cost

Food	0.962
Supplies	0.072
Labor and Benefits	1.573
Other (misc)	0.143
	\$2.752

What Do Students Pay

	Feds	State	Student	TOTAL
Free	\$ 2.57	\$ 0.20	\$ -	\$ 2.77
Paid	\$ 0.24	\$ -	\$ 2.38	\$ 2.62

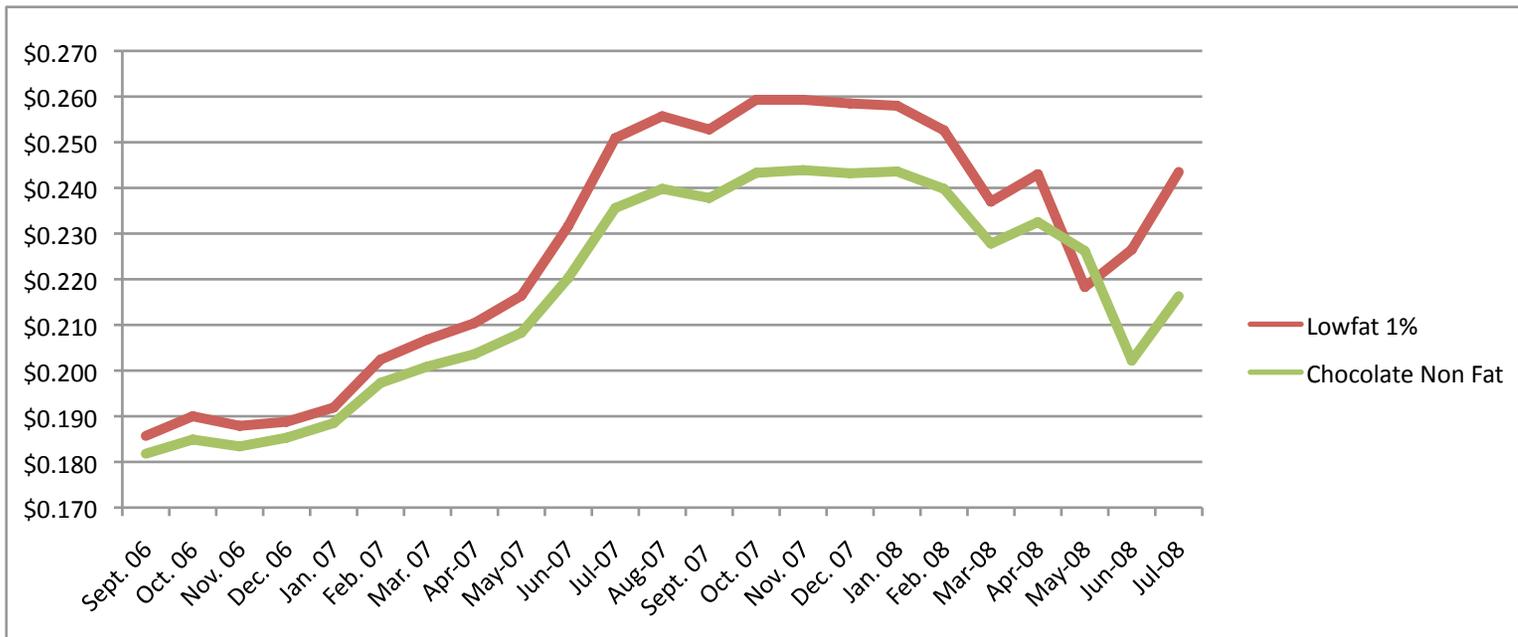
SCVSFA Lunch Price



	99/2000	2000/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08
Lunch Price	100.000	102.857	108.571	114.286	114.286	128.571	128.571	142.857	142.857

MILK PRICES 2006 thru 2008

	Sept. 06	Oct. 06	Nov. 06	Dec. 06	Jan. 07	Feb. 07	Mar. 07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sept. 07	Oct. 07	Nov. 07	Dec. 07	Jan. 08	Feb. 08	Mar-08	Apr-08	May-08	Jun-08	Jul-08
<i>Lowfat 1%</i>	\$ 0.186	\$ 0.190	\$ 0.188	\$ 0.189	\$ 0.192	\$ 0.202	\$ 0.207	\$ 0.210	\$ 0.216	\$ 0.232	\$ 0.251	\$ 0.256	\$ 0.253	\$ 0.259	\$ 0.259	\$ 0.259	\$ 0.258	\$ 0.253	\$ 0.237	\$ 0.243	\$ 0.218	\$ 0.227	\$ 0.244
<i>Chocolate Non Fat</i>	\$ 0.182	\$ 0.185	\$ 0.183	\$ 0.185	\$ 0.189	\$ 0.197	\$ 0.201	\$ 0.204	\$ 0.208	\$ 0.220	\$ 0.236	\$ 0.240	\$ 0.238	\$ 0.243	\$ 0.244	\$ 0.243	\$ 0.244	\$ 0.240	\$ 0.228	\$ 0.233	\$ 0.226	\$ 0.202	\$ 0.216



Appendix III a

Bio for Pavel N. Matustik

Pavel came to the United States in 1982, after his escape from the formerly Communist country of Czechoslovakia, where he worked as a hotel and restaurant manager in the city of Brno. He has more than 25 years experience in school food services. He presently works as the Chief Administrative Officer for the Santa Clarita Valley School Food Services Agency – a public joint power (government) agency – providing food services for five local school districts. He is also a lead agency for the California commodity SUPER Co-op, with over 200 school districts and over 1,000,000 ADP.

Pavel has a B.A. in sociology and M.A. in the history of theater. He earned certification in hotel and restaurant management, and he is credentialed (SNS) by SNA. He serves on several executive boards for public agencies. Pavel served as the president for the California School Food Services Association and he is a recipient of 2004 FAME Leadership Award; 2006 Gold FAME Best Director Award and 2007 Silver Plate Award.

He presently serves on the executive board of the American Commodity Distribution Association (ACDA).

He his wife Beth and two daughters live in Studio City, CA.