



THE VIRGIN ISLANDS DEPARTMENT OF EDUCATION

**WRITTEN TESTIMONY BY
SHARON ANN MCCOLLUM, Ph.D., COMMISSIONER
BEFORE THE COMMITTEE ON COMMITTEE ON EDUCATION AND
WORKFORCE DEVELOPMENT**

February 8, 2016

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Greetings Honorable Chair, Jean A. Forde, members of the Committee on Education and Workforce Development, other members of the 31th Legislature, enclosed is my testimony in response to the Committee's request to provide a detailed accounting of the financial and operational matters affecting the School Lunch Program. You will also receive information justifying our request for additional funding for this division of the Department of Education.

Present with me today is Ms. Debra Gottlieb, Deputy Commissioner, Mrs. Dionne Wells-Hedrington, Insular Superintendent of the St. Thomas/St. John School District, Ms. Colleen Williams, Insular Superintendent of the St. Croix School District, Mr. Anthony D. Thomas, Territorial Director of Procurement, Mr. Correy Lettsome, Commodities Officer and Ms. Esther Lynch Izaak, School Lunch Training Manager.

The purpose of my appearance is to provide factual testimony to support previous testimony given to the Education and Workforce Commission held on January 13, 2016, in which the VIDE requested additional monies to provide adequate funding to assist the School Food Authorities (SFA) throughout the remainder of the 2015-2016 School year.



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At the conclusion of this presentation I am confident that this committee and the public will have a better understanding of the fiscal challenges facing the School Food Authorities. We intend to provide factual information relative to the cost of commodities and how these commodities affect the menu. Additionally, information will be presented on how the staff works diligently to provide meals that are satisfying but extremely expensive. Finally, it is my heartfelt expectation that after we have concluded, this legislative body will realize the urgency of our request for additional support and funding.

Slide # 2: While this request may have appeared to be an all-of-a-sudden occurrence it may be helpful for the committee to scrutinize the SFA's from the perspective of a non-profit school food service that traditionally have very small profit margins; and that is contained in a highly regulated environment, having very limited revenue, inadequate facilities, and high personnel costs. I ask you to please let nothing that is said here be misconstrued or be in contradiction to anything that was said previously. This is not an excuse or an attempt to pass the blame.

Title 7 Agriculture; Code of Federal Regulations Subtitle B-Regulations parts 210-251.10 Food and Nutrition Service, Department of Agriculture; governs the SFAs. Local and Federal Funding are supplemental and both are required to properly operate the SFA's of the Virgin Islands (VI). Aging facilities and equipment present a challenge for the SFA's; however, what may be unique to the SFA's of the VI is the limited storage space the current facilities afford. Personnel costs consist of just under 50% of the SFA's budget.



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The SFA is the governing body which is responsible for the administration of schools and which has the legal authority to operate a nonprofit school food service therein or otherwise approved by Food and Nutrition Service (FNS) of the Department of Agriculture to operate the National School Lunch Program (NSLP). The question of how this financial problem evolved is a very appropriate, plausible and intriguing question. A question difficult to explain to individuals who are not working in this particular industry on a consistent basis and who do not speak the language of SFA's.

Slide # 3: There are four (4) factors are driving higher costs; the inherited management practices, the program's highly regulated structure, our geographical location, and insufficient (supplemental) funding. While these factors may not stand out as astonishing to this body; neglecting these factors over an extended period has created a perfect scenario for our current fiscal challenges.

Management Practices

Strong management practices directly affect the cost and include aspects that support compliance and accountability. Policy and procedure development, inventory management strategies, professional development, menu planning and forecasting techniques are all intricate parts of my team's approach to improve the SFAs.

SFA Program Structure

As stated earlier, the SFAs are highly regulated and follow strict guidelines established by the United States Department of Agriculture (USDA) which requires specified meal patterns and meal components. Additionally, the program requires that commodities



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designated “healthy foods” be purchased and used in the school food service. Strict USDA guidelines prohibit the use of unhealthy foods such as foods high in sugar, sodium and fat; as a substitution for healthy foods. As was indicated previously, portion sizes in vegetables, and fruits, and the low-fat dairy requirements of the new standards implemented in 2012 have increased the cost of a meal; in some instances, we have increased as much as 10% in milk and 26% in commodities like ground beef.

Geographical Location

Our geographical location expands the challenges the SFA’s face with logistics and high freight costs. Limited storage space requires prioritized ordering and directly impacts the ordering frequency, and commodity quantity. The commodity variety required by the USDA menu standards affect the container quantities provided by vendors. For instance, vendors choose to follow cost effective measures contingent on their convenience rather than on our required needs. This strategy used by vendors may reduce the quantities needed in the timeframe required. For example our order may come to us in multiple trailers and the items needed may be in the last trailer to arrive.

Funding and Reimbursement Rates

The USDA provides funding for the SFAs and provides reimbursements for the meals served by the SFA; however, while this statement appears to be factual it is not. The USDA provides the SFA with supplemental funding requiring additional funding sources; moreover, the USDA does not reimburse the SFAs for the full cost of meals served, the USDA reimburses meals at a standard rate; the rate for meals served by



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SFAs for lunch are \$.31, \$2.69 and \$3.09. Therefore, if a meal costs \$5.00 per plate; we are reimbursed at an established rate percentage of the student participation.

Nutritious Meals (Slide #4-7)

Meal components: Breakfast and lunch meal components as established by the Let's Move initiative places emphasis on raising a healthier generation of children, requiring an increase serving sizes per grades in fruits, vegetables, whole grains, and low-fat dairy while reducing fats, sodium and sugars. While these standards were implemented in 2012, the financial impact of this program's initiative has an enduring effect. Let's face it! Healthier foods are more expensive. Although we appreciate the new standards geared toward developing a healthier generation, the high cost of these commodities has been a challenge to control and manage by the SFAs.

Slide # 4: For Instance; breakfast requires two (2) servings of grain and a serving of fruit and milk. **Slide # 5:** As the sample breakfast menu portrays, the only acceptable substitution in this breakfast is that one (1) grain serving can be substituted with a meat/meat alternative relative to the two (2) servings of Grain. **Slide#6:** Lunch requires five (5) components (meats/meat alternate, grains, fruit, vegetables and milk). A student must take at least three of the components at the required serving size. Additionally, as the lunch menu portrays, vegetables have been segregated into subgroups (red/orange, dark green, beans and peas, starchy or other). The same vegetable cannot be served twice in one week and portion sizes range from ½ cup for K-8th grade and 1 cup for 9th-12th grade. All grains must meet the whole grain-rich criteria, in which whole grain content per ounce must be at least 8 grams or more.



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Slide # 7: Displayed is the actual cycle menu used for the month of December and
Slide#8: the forecasted cost of the December cycle menu. When one of these items is missing, the meal is deemed unallowable and therefore un-reimbursable.

Sample Participation

Slide #9-12: The December participation numbers represent actual participation totals of **207,427** for the St. Thomas/St. John (STTJ) and St. Croix (STX) School Districts; we will use these numbers to help this Committee understand the participation, reimbursement calculations and the actual reimbursements received. The reimbursable meal rates for breakfast and lunch provides expense reimbursements at a particular rate and a percentage for the participation totals. For the purposes of this presentation we will use the total meal count of **207,427** for the **(Slide #11)** December lunch reimbursement calculations; 88,213 for STTJ and 68,393 for STX and **(Slide #12)** December breakfast calculations; 26,832 for STTJ and 23,989 for STX. As the charts disclose, the reimbursement were calculated using three (3) categories; Free at a rate of \$3.09 and at 78.43% of the participation totals; Reduced at a rate of \$2.69 and at 7.14% of the participation totals; and Paid at a rate of \$.31 and at 14.43% of the participation totals. **Slide # 13:** The monthly meal cost per student for the December lunch menu provides a clear picture of the District's expenditures versus the reimbursement amount relative to participation. **Slide #14:** As indicated the SFAs had significant un-reimbursable meals costs served in the months of October – December 2015 in the amount of \$491,100.44 for STTJ and \$190,431.47 for STX districts.



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Federal and Local Budgets

Slides # 15-16: The funding charts reveal that the St. Thomas/St. John and St. Croix Districts have seen an increase in the cost of foods and supplies while experiencing a decline in funding between the 2014 and 2016 fiscal years. However, while the projected federal budget has increased for 2016, the cost of food and supplies has also increased.

Additionally, the local budgets have decreased for fiscal years 2016 while required commodities have increased. 

Slide # 17: Milk and other commodity prices. Milk prices were subsidized by the USDA; FY 2014 prices were fully USDA subsidized; 2015 prices were partially USDA subsidized; and 2016 prices are unsubsidized and purchased at the current market rate. 

As the chart indicates, white milk has increased 26%. **Slide#17:** Ironically, Cheese and Pepperoni Pizza, which the students enjoy, has increased in cost 27% and 25% respectively. Ground Beef has increased 25% over the same period.

Slide # 18: Monthly food cost. Food costs are based on the commodity prices, menus and commodity requirements as established by the USDA. These factors require expenditures for food as indicated by the average monthly cost territory-wide of six hundred sixty-five thousand two hundred sixty-seven dollars and nineteen cents (\$665,267.19).

Slide#20: Best Practices: Fiscal Accountability

As articulated previously, four (4) factors have impacted our ability to properly address the higher cost associated with the required commodities in a “Healthy Foods Menu.”



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These factors include the inherited management practices, the program's highly regulated structure, our geographical location, and insufficient (supplemental) funding.

Menu planning and forecasting: Menu planning and forecasting is an integral part of reducing the cost of menu components. Let me be transparent; as our evaluation has revealed, while the SFA and Special Nutrition (SN) Divisions may not be the only reason for the unmanageable higher cost; the SFA and SN has some culpability in our inability to better address the rising cost of a healthier lunch and breakfast. The first step in reducing the cost of commodities begins with cycle menu planning and forecasting cost.

Cycle menus. Cycle menus, provide invaluable benefits; including commodity costs and quantities; this step allows for better budgeting and funding for procuring commodities. This is the fundamental step for forecasting and projection of needs and costs of the commodities required for SFA USDA program. A cycle menu must follow meal pattern requirements. Menu planners can decide on the length of the cycle to be used, which may be a set number of days or weeks. Some of the benefits of cycle menus are:

- Reduced labor/time involved in planning menus;
- Reduced plate waste through use of tried and tested meals;
- Decreased foods costs by allowing more foods to be ordered in bulk;
- Minimized ordering/purchasing time due to repeated use of foods/meals; and



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- Possible increased participation through planning of the most popular meals.

Inventory management: Inventory management techniques must be established to provide proper commodity levels to support planned menu and orders. Proper intervals in inventory counting must be established to develop consistent Par levels.

Vendor relationships. Menu planning and forecasting are extremely important in securing the items required; because of the small window of opportunity SFA and SN must be able to identify what ingredients are necessary and notify local and mainland vendors through the procurement process. As an informed purchaser the SFA's can reap substantial cost reductions by identifying excessive costs associated with certain commodities and provide vendors with volume expectations for the year.

Interdepartmental collaboration: Interdepartmental collaborative initiatives will be forged between the Health and Human Services Department, the Department of Education, the Department of Agriculture and the Department of Property and Procurement. Cycle menu planning and forecasting will provide unimaginable benefits because orders can be made in bulk, local farmers can receive request for the type and quantity of freshly grown commodities needed in a timely manner, supply vendors can seek lower cost associated with concise commodity needs of the SFA's menu items required by the USDA for NSLP.

The immediate supplemental funding needs being requested for both districts (St. Thomas/St. John and St. Croix) for Fiscal Year 2016 to sustain the School Food Authority's operations total \$3,159,616.00. This total is needed for the Department of



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Education to comply with changes in federal regulations and to offset increased food and shipping costs. The \$3,159,616 is a reduced amount from what was originally requested for the School Food Authority operations.

Specifically, the Department of Education and the Administration are exploring alternate funding sources for costs associated with territory-wide kitchen renovations and the relocation and retrofitting of the newly proposed St. Croix School Food Warehouse.

The Department of Education's Corrective Action Plan (CAP) include identifying Collaborative Strategies that will evaluate and adopt territorial best practices to include training for all school lunch personnel, developing marketing strategies, menu planning and forecasting, reducing expenses and offering culturally attractive meals.

This concludes the Department of Education's testimony to the Committee on Education and Workforce Development and we are ready to respond to any of your questions at this time.