

**LEGISLATIVE
RESEARCH COMMISSION**

**PUBLIC SCHOOL
FOOD SERVICE**



**REPORT TO THE
1981 GENERAL ASSEMBLY
OF NORTH CAROLINA**

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STATE OF NORTH CAROLINA
LEGISLATIVE RESEARCH COMMISSION
STATE LEGISLATIVE BUILDING
RALEIGH 27611



January 14, 1981

TO THE MEMBERS OF THE 1981 GENERAL ASSEMBLY:

The Legislative Research Commission herewith reports to the 1981 General Assembly on the matter of public school food service programs. The report is made pursuant to Resolution 96 of the 1979 General Assembly.

This report was prepared by the Legislative Research Commission's Committee to Study Public School Food Service Programs and is transmitted by the Legislative Research Commission for your consideration.

Respectfully submitted,

Handwritten signature of Carl J. Stewart, Jr. in cursive script.

Carl J. Stewart, Jr.

Handwritten signature of W. Craig Lawing in cursive script.

W. Craig Lawing

Cochairmen
Legislative Research Commission

INTRODUCTION

The Legislative Research Commission, created by Article 6B of General Statutes Chapter 120, is granted by G.S. 120-30.17 powers and duties:

- (1) Pursuant to the direction of the General Assembly or either house thereof, or of the chairmen, to make or cause to be made such studies of and investigations into governmental agencies and institutions and matters of public policy as will aid the General Assembly in performing its duties in the most efficient and effective manner.
- (2) To report to the General Assembly the results of the studies made. The reports may be accompanied by the recommendations of the Commission and bills suggested to effectuate the recommendations.

Serving as Cochairmen of the Commission are the Speaker of the House and the President Pro Tempore of the Senate. This twelve-member body is also composed of five Representatives and five Senators, who are appointed respectively by the Cochairmen (G.S. 120-30.10 {a}) A list of the membership of the Legislative Research Commission will be found in Appendix A.

As directed by the 1979 General Assembly, a Comprehensive Study of Public School Food Services was undertaken by a Committee whose membership was appointed by the Cochairmen of the Legislative Research Commission. Senator James H. Edwards and Representative Louise S. Brennan were appointed Committee Cochairmen and Representative Lura S. Tally was the Commission member appointed to be in charge of his Study. Serving on the Committee, in addition to the Cochairmen, were Senator R.P. Thomas; Representatives Douglas Clark, A.D. Guy, and Betty Dorton Thomas; while non legislative members included

Mrs. Nancy B. Davis and Mr. James Little (See Appendix B).

The General Assembly by Resolution 96 of the 1979 Session (Senate Joint Resolution 708) directed that the comprehensive study of public food services programs include (a) Federal and State laws governing food service, (b) all sources of revenue, (c) current and projected operational costs, (d) administrative requirements at the local level, (e) staffing patterns and control and (f) facilities. The full text of Resolution 96 appears in Appendix C.

COMMITTEE PROCEEDINGS

While pursuing its stated purpose, to work diligently to see that school children receive the best food service possible, the Committee held a series of three meetings during the fall of 1980. Prior to and during these meetings, invitations were extended to various groups and individuals to discuss their school food service programs for the Committee's general information and in its effort to acquire responses to its specific concerns (See Appendix D). Although the Committee vigorously pursued its charge, its examination revealed many issues which require a thorough analysis of the present program and, as with any program predominately dependent upon federal funding, the program redefined by a new administration at the federal level. Viewing these needs, the Committee concluded it would need to continue its work following the 1981 Session of the General Assembly.

Committee objectives, defined in its enabling legislation, were discussed at length by the membership during its first organizational meeting. An overview of how the nutrition program operates in North Carolina was also presented to the Committee by Mr. Gene Dickie, State Director, Child Nutrition Division of the Department of Public Instruction (formerly employed with the federal food service program). Mr. Dickie stated that from the federal perspective North Carolina is set up and used as an example of leadership in the areas of accounting, forward thinking in terms of using the stat match requirement, and appropriating funds for salaries. However, North Carolina's school food service program faces a major crisis point. This is largely due to inflation (rising cost of food and

labor), restructuring of the feeding operation at the local level, and the federal government's recent attempt to eliminate a considerable amount of funding for this primarily federally-funded program (See Appendix G for Mr. Dickie's remarks).

During its second meeting the Committee received responses to its requests for information made to the Child Nutrition Division of the Department of Public Instruction (see Appendix E). Testimony was also received from spokespersons from both larger and smaller school systems who described the programs implemented in their school systems and their needs. Different school units reported differing percentages of indirect costs (e.g., warehouse space, maintenance and utilities). Emphasis was placed on the need to readjust salaries of food service employers, especially the salaries of managers, by representatives of the North Carolina Food Service Association (see Appendix F). Testimony also indicated that few school systems have any sizeable cash reserves for the acquisition of food service equipment.

Testimony was received from the Department of the State Treasurer's Office as well as additional testimony from the Child Nutrition Division of the Department of Public Instruction during the Committee's final meeting. Mr. Stephen Albright of the State and Local Government Finance Division of the Department of State Treasurer came forward to give an overview of both school finance and school food service finance.

Mr. Albright noted that in order for the school system to receive federal reimbursement for its expenditures, these expenditures must be recorded. However, his Department has reviewed reports from many school systems which are made in such a way that

the State Treasurer's Office is unable to discern from the reported data the amounts of indirect costs which are accrued and reported for federal reimbursement, and not reimbursed from the local current expense fund. Also, costs are camouflaged by school systems that fail to reflect the value of commodities received and used in the program during the year. A third procedure which creates a problem is that expenses and expenditures for one fund are often borne by a different fund, resulting in a distorted view of school food service funding.

3. The Committee's examination of public school food programs indicates that further study and evaluation is needed.

Information reflecting costs and expenditures from specified sources, which was unavailable to the Committee at the time requested, is vital to a thorough examination of the school food programs. The complexity of different program policies and procedures requires that more testimony be received from the various food service units (that differ in size, resources and geographic locations) as well as from the levels of government which would be affected by a change in food service program policies. Furthermore, a determination of salary readjustments and the prioritizing of program budget items, which may be necessitated by food service program budget reductions, require a closer scrutiny.

Finally, in addition to the complexities of the school food service program and anticipated changes in its budget, the Committee recognizes the need to thoroughly examine the issue of whether appropriations for supervision of the food service program should or should not be included as an indirect cost when reported for the purpose of federal reimbursement.

FINDINGS

The Legislative Research Commission's Committee on the Comprehensive Study of Public School Food Service Programs, after considering the presentations made before it and evaluating current practices and procedures relating to public school food service programs, makes the following findings:

1. The public school food service program is at a major crisis point.

Testimony received by the Committee indicates that inflation, primarily produced by the rising cost of food and labor, is a main contributor to this crisis. Also, the attempt at the local level to change the structure of the feeding operation from the traditional to the fast food operation (with a salad bar and a wider variety of choices in foods) further produces a squeeze on the food budget. Finally, the federal government's recent reassessment of the food program in an effort to eliminate a considerable amount of spending is causing great concern over the future of the program.

2. A clarification of the reporting duties which each school administrative unit shall fulfill when making its report to the Department of State Treasurer in accordance with G.S. 115-100.30 is needed.

Pursuant to G.S. 115-100.30, school and their administrative units are required to submit an audit report with the Secretary of the Local Government Commission, the Controller of the State Board of Education, the board of education and the board of county commissioners. Although the statute requires these financial statements "...shall be prepared in conformity with generally accepted accounting principles...." (G.S. 115-100.30 See Appendix H), in many cases

it is impossible for his office to discern the indirect costs accrued and reported for federal reimbursement but not reimbursed from the local current expense fund. In some cases expenses and expenditures are borne for one fund by another fund and the value of commodities provided by the federal government are not fully reflected in the accounting of each system's cost.

Ms. Ann Smith, Associate Director of the Child Nutrition Division of the Department of Public Instruction was recognized to discuss the indirect cost data for the State's 144 school units. She noted that if a school system is interested in keeping the price to the paying child at the lowest possible level, it is better that the indirect cost stays in the food service account (for a copy of this report see Minutes, November 19, 1980 meeting, attachment #2, State Legislative Library).

The Committee discussed the issue of indirect cost reporting and specifically concerned itself with the question of whether or not other contributions should or should not be recorded as indirect costs when not in contradiction to federal reporting guidelines defining reimbursements.

In conclusion, Committee Cochairman Edwards suggested that the following four avenues be investigated by the Committee:

1. passage of a House and Senate Joint Resolution asking Congress to allocate to the State, funds based on prior year figures so there would be definite figures with which to work;
2. passage of a Joint Resolution asking Congress to remove food service people from minimum wages in an effort to make their salaries more commensurate with other education employees;
3. amend legislation so that money allocated to supervisors will not be charged off as an

indirect cost (also, allocate some money directly to managers);

4. and investigate the need for the State to aid local units in their acquisition of food service equipment.

Following its expression of future concerns, the Committee concluded its work.

RECOMMENDATIONS

1. The Department of the State Treasurer should adopt rules prescribing reporting guidelines which each school system shall subscribe to when making its report to the Department of State Treasurer pursuant to G.S. 115-100.30.
2. A Resolution to extend the life of this Legislative Research Commission Committee for the Comprehensive Study of Food Service Programs should be adopted by the 1981 General Assembly (see Appendix I).

1979-81

LEGISLATIVE RESEARCH COMMISSION MEMBERSHIP

House Speaker Carl J. Stewart, Jr.

Chairman

Representative Chris S. Barker, Jr.

Representative John R. Gamble, Jr.

Representative H. Parks Helms

Representative John J. Hunt

Representative Lura S. Tally

Senate President Pro Tempore

W. Craig Lawing, Chairman

Senator Henson P. Barnes

Senator Melvin Daniels, Jr.

Senator Carolyn Mathis

Senator R. C. Soles, Jr.

Senator Charles Vickery

MEMBERSHIP
LEGISLATIVE RESEARCH COMMISSION
COMMITTEE ON THE
COMPREHENSIVE STUDY OF PUBLIC SCHOOL
FOOD SERVICE PROGRAMS

Senator James H. Edwards - Cochairman
Route 3, P.O. Box 524
Granite Falls, North Carolina 28630

Representative Louise S. Brennan - Cochairman
2101 Dilworth Road East
Charlotte, North Carolina 28203

Senator R.P. Thomas
714 Heatherwood Drive
Hendersonville, North Carolina 28739

Rep. Douglas Clark
Box 237
Kenansville, North Carolina 28349

Rep. A.D. Guy
306 Woodland Drive
Jacksonville, North Carolina 28540

Rep. Betty Dorton Thomas
160 Glendale Avenue, Southeast
Concord, North Carolina 28025

Mrs. Nancy B. Davis
Principal
Oakhurst Elementary School
4511 Monroe Road
Charlotte, North Carolina 28211

Mr. James Little
2405 Amigo Drive
Fayetteville, North Carolina 28305

Rep. Lura S. Tally
LRC Member in Charge
3100 Tallywood Drive
Fayetteville, North Carolina 28303

GENERAL ASSEMBLY OF NORTH CAROLINA
1979 SESSION (2nd SESSION, 1980)
RATIFIED BILL

RESOLUTION 96

SENATE JOINT RESOLUTION 708

A JOINT RESOLUTION TO DIRECT THE LEGISLATIVE RESEARCH COMMISSION, AS AUTHORIZED BY ARTICLE 6B OF CHAPTER 120 OF THE NORTH CAROLINA GENERAL STATUTES, TO CONDUCT A STUDY OF PUBLIC SCHOOL FOOD SERVICE AS AN AID TO THE GENERAL ASSEMBLY IN ITS FUTURE DETERMINATIONS OF FINANCIAL SUPPORT TO THIS PROGRAM.

Whereas, the public school food service program is a vast service operating under a complicated cover of federal government funding and regulations as well as State laws and rules, a broad understanding of these is needed in contemplation of future State actions; and

Whereas, federal support is expected to be reduced while costs increase, additional funds must be sought; and

Whereas, it is recognized that there exists a body of approximately 13,000 public school employees engaged in food service for whom the State provides no funds for their employment and for whom adequate and equitable salaries are needed;

Now, therefore, be it resolved by the Senate, the House of Representatives concurring:

Section 1. The Legislative Research Commission is hereby directed to conduct a comprehensive study of public school food service programs including, but not limited to, the following:

1. federal and State laws and regulations governing food service;
2. all sources of revenue;
3. current and projected operational costs;
4. administrative requirements at the local level;
5. staffing patterns and costs; and
6. facilities.

Sec. 2. The Commission shall make a written report of its study to the General Assembly, including recommendations for appropriate legislative action. The report shall be presented no later than the opening date of the 1981 General Assembly.

Sec. 3. This resolution shall become effective July 1, 1980.

In the General Assembly read three times and ratified, this the 25th day of June, 1980.

JAMES C. GREEN

James C. Green
President of the Senate

CARL J. STEWART, JR.

Carl J. Stewart, Jr.
Speaker of the House of Representatives

LIST OF PERSONS IN ORDER OF APPEARANCE BEFORE COMMITTEE

1. Mr. Gene Dickie
State Director, Child Nutrition Division
Department of Public Instruction
2. Mr. James Burch
Assistant Superintendent of Administrative Services
Department of Public Instruction
3. Mr. Bob Boyd
Assistant State Superintendent for Personnel Relations
Department of Public Instruction.
4. Ms. Margaret Wright
President Elect
North Carolina Food Service Association
5. Ms. Sharon Shelton
Child Nutrition Director
Burke County Schools
6. Ms. Peggy Smith
Legislative Chairman
North Carolina Food Service Association
7. Mr. Ralph E. Neill
Director of Child Nutrition Program
Charlotte-Mecklenburg Schools
8. Mr. Donnie Pollard
Director of Child Nutrition Services
Cumberland County Schools
9. Ms. Margy D. Fink
Director of Child Nutrition Programs
Salisbury City Schools
10. Ms. Ann G. Smith
Associate Director of the Child Nutrition Division
Department of Public Instruction
11. Mr. Stephen Albright
Assistant Chief of the Fiscal Management Section
State and Local Government Finance Division
Department of State Treasurer

DEPARTMENT OF PUBLIC INSTRUCTION



STATE OF NORTH CAROLINA

RALEIGH

November 5, 1980

Ms. Ann Christian
Legislative Research Commission
State Legislative Building
Raleigh, North Carolina 27611

Dear Ms. Christian:

Attached is the information you requested.

If you need further information or clarification, please contact me.

Sincerely,

Ann G. Smith
for Ann G. Smith
Associate Director
Child Nutrition Division

AGS:ns

Attachment

PUBLIC SCHOOL FOOD SERVICE

- 1 (Q) Does the \$104 million federal contribution to child nutrition programs in North Carolina include agricultural products that come to these programs?
- (A) The value of U. S. Department of Agriculture Commodity Foods donated the Child Nutrition Programs during fiscal year 1980 were not included in the \$104 million figure. USDA Commodity foods donated to program sponsors during FY 1980 at government cost are as follows:

<u>Recipient Agency</u>	<u>Government Cost</u>
Schools and Summer Feeding Programs	\$28,728,674
Commodity Only Programs	201,096
	<u>\$28,929,770</u>

- 2 (Q) On local levels, taking into consideration our school districts or local units, how many do not allocate any money for the food service program?
- (A) There were eleven (11) public school units for FY-1980 which did not allocate any county appropriations or indirect cost to the school food service fund.
- 3 (Q) How many schools do not participate at all in the food service Program?
- (A) The following data represents the number of schools which would be eligible to submit applications for participation on the National School Lunch Program.

	<u>No. Schools</u>	<u>ADA</u>
Public Schools	1	97
Non-Profit Private Schools	314	29,891
Public or Non-Profit Private Residential Service Institutions	233	4,660
Total	<u>548</u>	<u>34,648</u>

- 4 (Q) What percentage of North Carolina students would qualify for free or reduced-pay lunches if all of them were to make application?
- (A) $\frac{540,394 \text{ eligible}}{1,128,070 \text{ membership}} = 47.90\%$

- 5 (Q) What are the criteria for free or reduced-pay lunches?
- (A) Attached is copy of scale
- 6 (Q) Could you provide copies of the North Carolina Food Service Association's 1977, 1979 and 1981 Legislative Programs?
- (A) Copies of NCSFSA 1977, 1979, 1981 legislative programs have been mailed to members of the committee
- 7 (Q) Are there any schools providing a totally free lunch program? If so, how has the program worked?
- (A) There are three school districts who provide meals free to all pupils - Edgecombe County, Durham City and Hoke County. All three districts have been pleased with the program as administered in their district. Hoke County provides free lunch and breakfast for all pupils. Durham City provides free lunch and breakfast in all schools except their senior high schools. Edgecombe County provides free lunch to all pupils but not free breakfast. All three of these school districts have a very high percentage (over 80%) of pupils eligible for free and reduced price meals which allows them to receive a major portion of their revenue from federal sources.
- 8 (Q) Could you provide a county breakdown (or school unit breakdown) of free and paying lunch and breakfast programs?
- (A) Yes - See attached computer printout.
(not included in this mailing)

FAMILY SIZE AND INCOME SCALE
FOR
FREE MEALS AND MILK AND REDUCED-PRICE MEALS

This is the income scale used by

School Food Authority

to determine eligibility for free and reduced-price meals and free milk in the 1980-81 school year.

Family Size	Free Meals and Free Milk			Reduced-Price Meals		
	Annual	Monthly	Weekly	Annual	Monthly	Weekly
1	\$ 5,230	\$ 436	\$101	\$ 8,150	\$ 679	\$157
2	6,900	575	133	10,750	897	207
3	8,580	715	165	13,380	1,115	257
4	10,250	854	197	15,990	1,333	308
5	11,920	994	229	18,500	1,550	358
6	13,600	1,133	262	21,220	1,768	408
7	15,280	1,273	294	23,830	1,986	458
8	16,950	1,413	326	26,440	2,203	508
Each Additional Family Member	\$1,680	\$ 140	\$ 32	\$2,610	\$ 216	\$ 50

PERSONNEL SURVEY
SCHOOL FOOD SERVICE
OCTOBER 1980

Full-time Employees	Part-time Employees	State Adopted Pay Scale	Local Pay Scale	No adopted Pay Scale	Hours Considered Full-time	Meals Provided	Social Security		Retirement		Holiday's		Annual Leave		Sick Leave		Insurance		Longevity	
							FT	PT	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT
10 902	2 611	115	22	7	ranges from 3 1/2 hr. - 8 hr	135	144	144	144	13	143	57	139	51	144	59	143	15	141	30

144 UNITS in North Carolina

Name	Full-time Employees	Part-time Employees	State Adopted Pay Scale	Local Pay Scale	Meals Provided	No. of Hours Full-time	Social Security	Retire-ment	Holidays		Sick Leave	vac.	
									FT	PT			FT
Moore	95	21	X		X	5	X	X	Y		X	X	
Mash	79	26	X		No	6	X	X	Y		X	X	
Rocky	60	23	X		X	6	X	X	X		X	X	
New Haven	110	100	No	No	X	6	X	X	X		X	X	
Morris	63	3	X		X	7	X	X	X		X	X	
West	100	32	X		X	6 1/2	X	X	X		X	X	
Orange	57	13	X		X	6	X	X	X		X	X	
Chapel Hill	42	11	X	X	X	5	X	X	X		X	X	
Pasquotank	37	7	X		X	5	X	X	X		X	X	
Fisher	52	4	X		X	6	X	X	Y		X	X	
Lenoir	21	5	X		X	4	X	X	X		X	X	
Fairson	63	9	X		X	5	X	X	X		X	X	
Pitt	126	12	X		X	4	X	X	X		X	X	
Greenville	43	36	X		X	6	X	X	X		X	X	
Park	17	2	X	X	X	6	X	X	X		X	X	
Fryer	5	0		X	X	8	X	X	X		X	X	
Randolph	109	51	X		X	7 1/2	X	X	X		X	X	
Asheboro	32	25	X		X	7	X	X	X		X	X	
W.C. Rutherford	99	9	X		X	6	X	X	X		X	X	
Row	146	17	X		X	6	X	X	X		X	X	
Fair	30	4	X		X	4	X	X	X		X	X	
Lumberton	41	21	No	No	X	6 1/2	X	X	X		X	X	
Red Bank	16	10		X	X	7	X	X	X		X	X	
St. Pauls	15	1	X		X	6 1/2	X	X	X		X	X	
Rocky Mt.	41	9	X		X	6	X	X	X		X	X	
Eden	42	11	X		X	6	X	X	X		X	X	
Mallison-Anderson	37	5	X		X	4	X	X	X		X	X	
Reidsville	33	18	X		X	5 1/2	X	X	X		X	X	
Roanoke	44	32	X		X	6	X	X	X		X	X	

NORTH CAROLINA DEPARTMENT OF AGRICULTURE
FOOD DISTRIBUTION DIVISION

VALUE OF USDA DONATED FOODS DISTRIBUTED 1979-80

Alamance	\$ 262 294	Jackson	\$ 93 590
Burlington	170 916	Johnston	362 317
Alexander	107 413	Jones	53 575
Alleghany	49 703	Lee	150 610
Anson	105 037	Lenoir	164 738
Ashe	110 266	Kinston	117 012
Avery	70 953	Lincoln	211 638
Beaufort	124 549	Macon	88 949
Washington City	84 553	Madison	70 877
Bertie	115 343	Martin	143 199
Bladen	165 619	McDowell	170 586
Brunswick	172 657	Mecklenburg	1 646 624
Chuncombe	532 603	Mitchell	65 414
Asheville	122 794	Montgomery	123 946
Burke	326 076	Moore	211 799
Cabarrus	216 834	Nash	247 797
Concord	73 484	New Hanover	385 257
Caldwell	270 196	Northampton	133 190
Camden	36 433	Onslow	317 328
Carteret	148 439	Orange	115 063
Caswell	123 894	Pamlico	49 397
Catawba	310 345	Pasquotank	137 488
Hickory	123 266	Pender	129 269
Newton	83 569	Perquimans	41 976
Chatham	159 939	Person	141 097
Cherokee	90 055	Pitt	258 912
Chowan	67 231	Greenville	111 621
Clay	34 106	Polk	46 086
Cleveland	244 017	Tryon	7 738
Kings Mt.	95 216	Randolph	271 024
Shelby	102 822	Asheboro	89 407
Columbus	218 221	Richmond	219 122
Whiteville	71 723	Robeson	409 285
Craven	204 627	Fairmont	63 966
New Bern	89 569	Lumberton	104 673
Cumberland	867 303	Red Springs	54 794
Fayetteville	206 994	Maxton	17 113
Currituck	63 384	St. Pauls	38 441
Dare	42 827	Rockingham	101 759
Davidson	331 498	Eden	95 324
Lexington	77 918	Madison Mayodan	72 726
Thomasville	69 879	Rowan	337 348
Davie	129 227	Salisbury	59 333
Duplin	227 494	Rutherford	245 320
Durham	289 754	Sampson	208 916
Durham City	254 705	Clinton	72 944
Edgecombe	152 468	Scotland	182 605
Talboro	71 785	Stanly	176 182
Forsyth	790 833	Albemarle	58 051
Franklin	111 203	Spokes	178 508
Franklinton	36 651	Surry	201 931
Gaston	759 602	Elkin	23 783
Gates	49 147	Mt. Airy	51 884
Graham	34 783	Swain	42 481
Granville	183 104	Transylvania	103 513
Greene	84 396	Tyrrell	22 792
Guilford	577 315	Union	237 502
Greensboro	403 310	Monroe	71 960
High Point	221 434	Vance	200 070
Halifax	217 520	Wake	1 076 623
Roanoke Rapids	40 306	Warren	97 536
Weldon	34 562	Washington	67 504
Harnett	281 244	Watauga	116 821
Haywood	202 839	Wayne	304 962
Henderson	205 329	Goldsboro	139 803
Hendersonville	36 774	Wilkes	305 049
Hertford	111 264	Wilson	266 627
Hoke	120 800	Yadkin	126 549
Hyde	24 683	Yancey	70 347
Jredell	276 242		
Montesville	58 053		
Statesville	99 756		
		Total	\$ 25 111 064

November 10, 1980

The first National School Lunch Act was enacted in 1946. Congress declared it to be a measure of national security, to safeguard the health and well-being of the nation's children, encouraging the use and consumption of nutritious agricultural commodities and other foods.

The North Carolina State School Food Services has formulated this statement of philosophy: "The North Carolina School Food Service Program is based on the nutritional and educational needs of all pupils and should be cooperatively developed. The Program should provide nutritionally adequate meals, be educationally and economically sound, and be effectively and efficiently operated."

The role of State, North Carolina School Food Service, and local Boards of Education is to provide the child a lunch with one-third (1/3) of his daily dietary needs and to insure that an adequate meal is made available to all children in all schools at a minimum cost, providing meals without charge or at a reduced rate to all children determined to be needy by local school authorities in compliance with state policy in regard to free and reduced price lunches.

In 1966, Child Nutrition Act, including the Non-food Assistance Program and the School Breakfast Program was enacted. A breakfast program can influence the health, academic achievement, and attendance of the school child. The breakfast and lunch programs should be considered an integral part of the total school program. Since the daily cost of operating the food service program, for all students, is increasing, the governmental agencies should study the food service program as they study the funding of curriculum program.

Federal Reimbursement of Child Nutrition has been a positive factor in School Food Service. Without Federal Reimbursement of Child Nutrition, there would be no school feeding as we know it today. Of course, this is probably true of all educational programs.

However, one facet of the Federal Reimbursement Program has caused a great concern not only in Charlotte-Mecklenburg, but across the nation. The concern is that the paying student may be squeezed out in favor of the free student, thereby creating only a welfare program. This is a political football that may create problems for the food service program in the very near future.

The theory that no child should go hungry in these United States is sound. However, the student that pays for his or her lunch or breakfast should not be required to bear the burden of the non-paying student, yet every year at Federal Budget time, without fail, there is a proposal to cut the Federal Reimbursement for the paid breakfast and lunch. This attitude must be watched carefully as the State and Federal Legislatures meet in January.

Food Service administrators are in a constant bind with ever higher food prices and rising labor costs. The effort to keep the price of breakfast and lunch within the reach of as many students as possible is a firm commitment on our part. However, a reduction in reimbursement for the paid meal would mean the cost of the meal to the student would rise, and rise drastically. Overall food cost is up 1.5% over this time last year. Hamburger patties, for example, have increased from .98 cents a pound in May of 1980 to \$1.51 a pound in October of 1980. Broccoli Spears have increased from \$11.04 a case in the 1979-80 school year to \$12.73 a case in the 1980-81 school year.

The rising labor cost is a major factor that must be watched closely. Some assistance has been discussed at the state level, but funds have not been allotted. The State Board of Education, for example, passed a pay scale for managers, but did not provide the needed funds to implement the program.

A serious error was also made when the food service employees were not included in the minimum wage law passed by the ^{Food Service} state this year.

Food service employees have been engaged in an ongoing Educational Program to improve their professional standing. It is a very discouraging matter for these employees to find themselves ignored year after year by the legislature. This creates a real morale problem particularly where salaries of other school personnel are paid or partially funded by the state. The state may not be financially able to assume the total labor costs for the food service personnel. However, the state should begin a program, immediate and long range, to assist the local school districts with this financial problem. The beneficiary of any assistance provided by the state will be the students. This, after all, is what School Food Service is all about.

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or employee may be held liable for any losses sustained by an administrative unit because of the default or insolvency of the depository. (1975, c. 437, s. 1.)

§ 115-100.28. Daily deposits. — Except as otherwise provided by law, all moneys collected or received by an officer, employee or agent of an administrative unit or an individual school shall be deposited in accordance with this section. Each officer, employee and agent of an administrative unit or individual school whose duty it is to collect or receive any taxes or other moneys shall deposit his collections and receipts daily. If the board of education gives its approval, deposits shall be required only when the moneys on hand amount to as much as two hundred fifty dollars (\$250.00), but in any event a deposit shall be made on the last business day of the month. All deposits shall be made with the finance officer or in an official depository. Deposits in an official depository shall be immediately reported to the finance officer or individual school treasurer by means of a duplicate deposit ticket. The finance officer may at any time audit the accounts of any officer, employee or agent collecting or receiving any taxes or other moneys, and may prescribe the form and detail of these accounts. The accounts of such an officer, employee or agent shall be audited at least annually. (1975, c. 437, s. 1.)

§ 115-100.29. Semiannual reports on status of deposits and investments. — Each school finance officer shall report to the Secretary of the Local Government Commission on January 1 and July 1 of each year (or such other dates as the Secretary may prescribe) the amounts of money then in his custody and in the custody of treasurers of individual schools within the unit, the amount of deposits of such money in depositories, a list of all investment securities and time deposits held by the administrative unit and individual schools therein, and a description of the surety bonds or investment securities securing demand and time deposits. If the Secretary finds at any time that any moneys of an administrative unit or an individual school are not properly deposited or secured, or are invested in securities not eligible for investment, he shall notify the officer in charge of the moneys of the failure to comply with law. Upon such notification, the officer shall comply with the law within 30 days, except as to the sale of securities not eligible for investment which shall be sold within nine months at a price to be approved by the Secretary. The Local Government Commission may extend the time for sale of ineligible securities, but no one extension may cover a period of more than one year. (1975, c. 437, s. 1.)

§ 115-100.30. Annual independent audit. — Each administrative unit shall have its accounts and the accounts of individual schools therein audited as soon as possible after the close of each fiscal year by a certified public accountant or by an accountant certified by the Local Government Commission as qualified to audit local government accounts. The auditor who audits the accounts of an administrative unit shall also audit the accounts of its individual schools. The auditor shall be selected by and shall report directly to the board of education. The audit contract shall be in writing, shall include all its terms and conditions, and shall be submitted to the Secretary of the Local Government Commission for his approval as to form, terms and conditions. The terms and conditions of the audit contract shall include the scope of the audit, and the requirement that upon completion of the examination the auditor shall prepare a typewritten or printed report embodying financial statements and his opinion and comments relating thereto. The financial statements accompanying the auditor's report shall be prepared in conformity with generally accepted accounting principles. The auditor shall file a copy of the audit report with the Secretary of the Local Government Commission, the Controller of the State Board of Education, the board of education and the board of county commissioners, and shall submit all bills or claims for audit fees and costs to the Secretary of the Local Government Commission for his approval. It shall be unlawful for any administrative unit

to pay or permit the payment of such bills or claims without this approval. Each officer, employee and agent of the administrative unit having custody of public money or responsibility for keeping records of public financial or fiscal affairs shall produce all books and records requested by the auditor and shall divulge such information relating to fiscal affairs as he may request. If any member of a board of education or any other public officer, employee or agent shall conceal, falsify, or refuse to deliver or divulge any books, records, or information, with an intent thereby to mislead the auditor or impede or interfere with the audit, he is guilty of a misdemeanor and upon conviction thereof may be fined not more than one thousand dollars (\$1,000), or imprisoned for not more than one year, or both, in the discretion of the court.

The State Auditor, in consultation with the State Board of Education, shall have authority to prescribe the manner in which funds disbursed by administrative units by warrants on the State Treasurer shall be audited. (1975, c. 437, s. 1.)

§ 115-100.31. Special funds of individual schools. — (a) The board of education shall appoint a treasurer for each school within the administrative unit that handles special funds. The treasurer shall keep a complete record of all moneys in his charge in such form and detail as may be prescribed by the finance officer of the administrative unit, and shall make such reports to the superintendent and finance officer of the administrative unit as they or the board of education may prescribe. Special funds of individual schools shall be deposited in an official depository of the administrative unit in special accounts to the credit of the individual school, and shall be paid only on checks or drafts signed by the principal of the school and the treasurer. The board of education may, in its discretion, waive the requirements of this section for any school which handles less than three hundred dollars (\$300.00) in any school year.

(b) Nothing in this section shall prevent the board of education from requiring that all funds of individual schools be deposited with and accounted for by the school finance officer. If this is done, these moneys shall be disbursed and accounted for in the same manner as other school funds except that the check or draft shall not bear the certificate of preaudit.

(c) For the purposes of this section, "special funds of individual schools" includes by way of illustration and not limitation funds realized from gate receipts of interscholastic athletic competition, sale of school annuals and newspapers, and dues of student organizations. (1975, c. 437, s. 1.)

§ 115-100.32. Proceeds of insurance claims. — Moneys paid to an administrative unit pursuant to contracts of insurance against loss of capital assets through fire or casualty shall be used to repair or replace the damaged asset, or if the asset is not repaired or replaced, placed to the credit of the capital outlay fund for appropriation at some future time. (1975, c. 437, s. 1.)

§ 115-100.33. School food services. — Until July 1, 1978, an administrative unit may, in the discretion of the board of education, treat receipts and disbursements associated with school food services as special funds of individual schools or as part of the budget of the administrative unit. Effective July 1, 1978, school food services shall be included in the budget of each administrative unit and the State Board of Education shall provide for school food services in the uniform budget format required by G.S. 115-100.6. (1975, c. 437, s. 1.)

§ 115-100.34. Reports to State Board of Education. — The State Board of Education shall have authority to require administrative units to make such reports as it may deem advisable with respect to the financial operation of the public schools. (1975, c. 437, s. 1.)

A JOINT RESOLUTION AUTHORIZING THE LEGISLATIVE RESEARCH COMMISSION TO CONTINUE ITS STUDY OF PUBLIC SCHOOL FOOD SERVICE AS AN AID TO THE GENERAL ASSEMBLY IN ITS FUTURE DETERMINATIONS OF FINANCIAL SUPPORT TO THIS PROGRAM.

Whereas, Resolution 96 of the 1979 General Assembly authorized the Legislative Research Commission to conduct a study of public school food service as an aid to the General Assembly in its future determinations of financial support to this program and report to the 1981 Session; and

Whereas, the public school food service program is a vast service operating under a complicated cover of federal government funding and regulations as well as State laws and rules, a broad understanding of these is needed in contemplation of future State actions; and

Whereas, federal support is expected to be reduced while costs increase, additional funds must be sought; and

Whereas, it is recognized that there exists a body of approximately 13,000 public school employees engaged in food service for whom the State provides no funds for their employment and for whom adequate and equitable salaries are needed;

Now, therefore, be it resolved by the House of Representatives, Senate concurring:

Section 1. The Legislative Research Commission is authorized to continue the study that was authorized by Resolution 96 of the 1979 General Assembly.

Section 2. The Legislative Research Commission may make its report, with recommendation in textual and bill form, to the 1983 General Assembly.

Section 3. This resolution is effective upon ratification.

PUBLIC EDUCATION - PUBLIC INSTRUCTION

2C .0400

SECTION .0400 - SCHOOL FOOD SERVICES

0401 GENERAL PROVISIONS

The division of school food service administers the following federal child nutrition programs:

- (1) The National School Lunch Program
- (2) The School Breakfast Program
- (3) The Special Milk Program
- (4) The Child Care Food Program
- (5) The Summer Food Service Program for Children
- (6) Nutrition Education and Training Program
- (7) Food Service Equipment Assistance

History Note: Authority G.S. 115-51; 115-133; 105-164.13; 7 C.R.F. Section 210, 215, 220.4, to 220.11, 220.12 to 220.18, 220.19 to 220.23; Public Law 90-302, Section 225; Public Law 91-248, Section 245; Public Law 95-166, Public Law 95-627, Effective October 1978.

.0402 ORGANIZATION

The division of school food service carries out its responsibilities

- (1) The state school food service child nutrition programs are administered by a director who is assisted by a staff of program and fiscal specialists.
- (2) The Division is also responsible for training programs and for research and program development.

History Note: Statutory Authority G.S. 115-14(1)
Effective February 1, 1976.

.0403 PROCEDURES GOVERNING SCHOOL FOOD SERVICES

- (1) Responsibilities for administration and supervision of the North Carolina School Food Service Program. The responsibility for the administration, operation, and supervision of the school food service program is vested in the educational authorities, who are responsible for all phases of the educational program. The various levels of responsibility are outlined as follows:
 - (a) The State Superintendent of Public Instruction with the assistance of a school food service staff, shall carry out the regulations and policies adopted by the State Board of Education.
 - (b) It shall be the responsibility of the school food service staff to:
 - (i) assist school food authorities in maintaining sound financial and program management within federal and state guidelines
 - (ii) evaluate the school food service program as required by federal regulations
 - (iii) assure that nutritionally adequate meals as defined in federal regulations are available to all pupils
 - (iv) assist school food authorities in maintaining a non-profit status;
 - (v) conduct biennial audits, and
 - (vi) provide adequate consultation to allow programs to operate effectively, efficiently and at the lowest possible cost to the child.

- (c) All school food service programs shall be operated and managed by a local board of education in accordance with rules and regulations of State Board of Education.
- (2) Personnel
- (a) full-time faculty members, maids, and janitors shall not be eligible for part-time employment in food service.
- (b) the only adults eligible to eat in the school food service department shall be school employees and personnel on official business and local patrons on invitation and all must pay the adult price for lunch.
- (3) Policies and standards applicable to schools operating under National School Lunch Program.
- (a) Approved supplemental food sales. Supplemental food sales shall be limited to foods contributing to the nutritional well-being and aiding in the establishment of good food habits and may be purchased by pupils under the following conditions:
- (i) all pupils except those in junior and senior high schools must receive a Type A lunch or bring a lunch from home to qualify for supplemental food purchases.
- (ii) adults may purchase individual food items without purchasing a complete lunch.
- (iii) all food and beverage services during or before the established lunch period must be operated through the school food service department.
- (iv) all receipts from food services as operated in item 4 of this rules are the property of the school food service department.
- (v) all income from the food services is to be used for the purpose of the school's non-profit lunch program.
- (vi) confections and carbonated drinks are not approved supplemental food items.
- (b) Competitive Food Sales
- (i) food service operated for profit in the school, separate and apart from the non-profit lunch program, shall not operate at such time or place as will constitute competition with the non-profit lunch program.
- (ii) the sale of extra food for profit in the lunchroom and its general environs during the designated lunch period is prohibited.
- (iii) the sale of extra food and beverage items at times prior to and during the lunch period and at places other than the lunchroom or its general environs is classified as competitive food service and, therefore, prohibited.
- (iv) if a school wishes to sell extra food items in the lunchroom or its general environs at times other than the lunch period, it must be done on a non-profit basis "on a non-profit basis" means that the following requirements must be met:
- (v) deposit the income from the sale of such food items to the account of the school's non-profit lunch program.

- (vi) use the income from the sale of such food items only for the purpose of the school's non-profit lunch program.
 - (vii) sale of extra food items after the established lunch hour is over could be permitted, with local board of education approval. The end of the lunch serving period is defined as the time when the last pupil has been served for the day.
 - (viii) operation in violation of state policy would subject a school to denial of all reimbursements.
- (4) Use of school food service funds. Receipts from school food services must be used for the costs of operation as outlined in current federal regulations and state policy.

History Note: Statutory Authority G.S. 115-51; Federal regulations Effective February 1, 1976

.0404 ALLOCATION AND USE OF STATE FUNDS FOR SCHOOL FOOD SERVICE

- (1) Use of state funds for school food service supervision
 - (a) State funds for school food service are allocated exclusively for the purpose of providing school food service supervisor and management. Persons employed under these policies and regulations shall not perform clerical, secretarial, or bookkeeping duties usually assigned to a secretary, clerk, or bookkeeper.
 - (b) the State Board of Education believes that these positions should be filled with qualified personnel or not filled at all.
- (2) Local Plans for school food service supervisory program to be filed with State Department of Public Instruction.
 - (a) on forms to be supplied, county and city superintendents shall submit to the Director, School Food Services Division, Department of Public Instruction, a proposed plan for the use of school food service supervisory personnel in their respective administrative units.
 - (b) The plan submitted by a local unit shall show the following:
 - (i) the total number of school food service supervisory positions, regardless of source of salary;
 - (ii) the specific position(s) to be paid from state funds;
 - (iii) description of the work assignment for personnel in each position;
 - (iv) provisions for travel, office accommodations, clerical assistance, and office expense;
 - (v) estimated salary to be paid for the school food service supervisory position(s).
 - (c) If an administrative unit does not receive an allotment sufficient to employ a school food service supervisor, it may supplement their allotment from local funds or it may, by joint agreement, combine its allotment with another administrative unit for the purpose of sharing the services of a school food service supervisor(s).
 - (d) Failure of the local unit plans to reflect conformance with these rules and regulations, or if it is found that these rules and regulations are not being followed, shall constitute sufficient cause to withhold state funds for supervisory positions pending necessary corrective action.

- (3) Basis for Allocation of Funds. The original state base allotment of teachers to an administrative unit from the State Public School Fund shall determine the amount of state funds for the school food service supervisory positions to be allocated to each administrative unit in the following manner:
- (a) Each administrative unit will receive a base state allocation in an amount approved by the State Board of Education annually.
 - (b) In addition to the base allotment, each administrative unit will receive an additional per capita allotment for each state base allotted teacher computed on the basis of the total state base allotted teachers divided into the total funds available after the computation of (a) of this Rule.
 - (c) The total allotment is to include funds for salaries, employers' cost of retirement, social security, hospitalization insurance contribution and any other fringe benefits.
 - (d) All units must utilize their base and formula allocations to satisfy the supervisory requirements as submitted in their application and plan for use of state school food service funds and as approved by the State School Food Service Director.
 - (e) Supervisors employed from these funds shall be on a full-time, 12 calendar month basis.
 - (f) Once the supervisory needs have been met, then any surplus state funds for school food service shall be applied toward meeting the salary requirements of school food service managers.
- (4) Division of Costs Between State and Local Units
- (a) The State Board of Education will participate in this program to the extent of state funds available to each school administrative unit as set out in (3) (b) of this Rule.
 - (b) The local administrative unit will provide:
 - (i) funds for necessary traveling expenses in carrying out assigned duties in the position,
 - (ii) necessary office space
 - (iii) necessary office expenses and clerical assistance.
 - (c) In case the services of one person are shared by two or more administrative units, the proportion of such local expense shall be borne by each in accordance with agreements between the local boards concerned.
- (5) Agreements between Administrative Units. If the supervisory unit includes more than one administrative unit, special forms should be requested from the Department of Public Education, School Food Services Division. In these cases, such personnel shall be apportioned on the basis of percentage of funds allocated to each unit. There shall be a written working agreement between the supervisor and the boards of education as to duties, time to be devoted to each unit, the amount of salary and travel expense each unit will pay, and the office expense and clerical assistance which will be provided by each board of education.
- (6) Desired Qualifications for school food service supervisors. Such supervisors must have one of the following:
- (a) masters degree in foods and nutrition, institution management, home economics, business administration or a related field with two years of experience in food service management; or
 - (b) a degree from a four-year college or university in foods and nutrition, institution management, home economics, business administration or a related field with two years of experience in food service management of an appropriate institution or commercial food operation; or

- (c) a minimum of five years training and/or experience in food service management of an appropriate institution or commercial food operation.
- (7) Contract Terms. The school food service supervisor's contract period may be established by the county or city board of education for a term not to exceed four years, subject to the continued allotment of funds, and not to extend beyond the term of the superintendent. Employment will be on a 12 calendar month basis.
- (8) Annual Review Procedure. An annual review is to be submitted to the Director of School Food Services Division which will state that the school food service supervisor employed from the state allocated funds meets the requirements set forth in the plan of operation and is fulfilling the complete duties and responsibilities of the position as outlined. Following a review by the Director of the School Food Services Division, comments and suggestions will be forwarded to the State Superintendent of Public Education.

History Note: Statutory Authority G.S. 115-51;
Effective February 1, 1976

.0405 REIMBURSEMENT RATES

- (1) All reimbursement shall be earned by the LEA or program sponsor on the basis of current federal regulations and will be paid by the State Agency at the current rates established by the U.S.D.A. in a manner which will provide for maximum utilization of federal funds to keep the price to the pupil at the lowest level possible.
- (2) Failure to comply with current federal regulations and state policies relating to the program will result in funds being reclaimed and/or withheld until corrective action is taken.
- (3) Cash-in-lieu of commodities sponsors of child care food programs shall be paid cash-in-lieu of USDA donated foods based upon current federal regulations.

History Note: Authority G.S. 115-51; 41 c.r.f. 1610; 7 c.r.f. 220.4, 220.9, 226.4, 226.12; Effective February 1, 1976;
Amended Eff. August 11, 1976; March 30, 1976.

.0406 SCHOOL FOOD SERVICE: FOOD SERVICE EQUIPMENT ASSISTANCE

Local educational agencies are eligible to apply for food service equipment assistance funds for either central refrigeration, transport equipment or individual school equipment.

Local educational agencies or individual school applications that meet the criteria detailed below will be considered for approval. These applications will be placed on a priority basis according to need to be paid to the extent that federal funds are available.

- (1) 75% Funding
 - (a) 25% or more free or reduced price lunches are served in the L.E.A. based on October statistics.
 - (b) Equipment is needed to initiate or expand the breakfast program in the school.
 - (c) No more than three (3) months or period specified in federal regulations operating balance exists in the L.E.A.
 - (d) Equipment is non-existent or grossly inadequate as established by documentation

Preference for approval:

- (i) range, oven, refrigerator, mixer, sinks
- (ii) dish machine, central refrigeration, central transport equipment, kettle, slicer, freezer, steamer, braising pan, carts, dining tables and chairs, fryer, vertical cutter/mixer, cutter.
- (iii) compactor, microwave oven, high speed steamer, trunion kettle, cash registers.
- (e) Priority of approval for applications seeking 75% funding will be determined by considering all four (4) criteria.
- (2) 100% Funding;
 - (a) 51% or more free or reduced price lunches are served in the L.E.A. based on October statistics
 - (b) A breakfast program has been established in the school as of January 1 for which the F.S.E.A. is requested.
 - (c) One (1) month or less operating balance in the L.E.A. based on October statistics and local funds are not available for matching purposes (25%).
 - (d) Equipment is non-existent or grossly inadequate as established by documentation.

Preference for approval:

- (i) range, oven, refrigerator, mixer, sinks
- (ii) dish machine, central refrigeration, central transport equipment, kettle, slicer, freezer, steamer, braising pan, carts, dining tables and chairs, fryer, vertical cutter/mixer, cutter.
- (iii) compactor, microwave oven, high speed steamer, trunion kettle, cash registers.
- (e) Priority of approval for 100% funding
 - (i) priority #1 - All four (4) criteria listed above must exist
 - (ii) priority #2 - (a), (c), (d), criteria listed above must exist.

History Note: Statutory Authority G.S. 115- 51;
Effective February 24, 1976;
Public Law 95-166;
Effective October 1977.

.0407 SUMMER FOOD SERVICE PROGRAM FOR CHILDREN.

Reimbursement for the Summer Food Service Program for Children will be paid to program sponsors at the current rates established by federal regulations in conformance with procedures outlined in said regulation.

History Note: Authority G.S. 115-51, 7 C.F. R. Sec. 225.13 (1976);
Effective May 7, 1976

.0408 NUTRITION EDUCATION AND TRAINING PROGRAM

Funds will be used in conformance with current federal regulations and provided to local education agencies in a manner approved by the State Board of Education.

History Note: Authority Public Law 95-166
Effective October 1977

