

School Food Local Purchasing Incentive Report

Vermont Farm to School Network

**Groundworks Center for Resilient Communities
Action Circles
Vermont Food Education Every Day**

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Introduction

The purpose of this report is to examine existing state legislative policies that incentivize schools to increase their local purchasing to determine if these policies could be applicable within the state of Vermont. The Vermont Farm to School Network is interested in policies that will help the Network to meet its goal:

By 2025, 75% of Vermont Schools will lead the cultural shift to a values-based food system that engages 75% of our students in integrated food system education; community-based learning; nourishing universal meals; and the experience of self-efficacy; purchasing at least 50% from a socially just and environmentally and financially sustainable regional food system.

The Demand/Policy Team of the VT Farm to School Network directed this investigation, in response to Vermont's Food Service Directors, who expressed the challenges they face in meeting the Network's local purchasing goal. As of 2014, research at the University of Vermont reported that on average, 5.6% of school food purchases were local products (Roche, et al. 2016). Incentive policies have been adopted recently in several states and this report serves to better understand the potential pitfalls and successes of such legislation. By no means is this report meant to be exhaustive or an endorsement of such policy. The information presented is meant to inspire conversation and intentional discussion among the Vermont Farm to School Network in order to come to a consensus on whether to pursue a similar policy in Vermont. Ultimately our goal is to create sustainable school nutrition programs that nurtures children's health, cultivates viable farms and builds vibrant communities.

Executive Summary

This report is a culmination of research collected by Michigan's Groundworks Center for Resilient Communities, Vermont's Action Circles, and Vermont Food Education Every Day (VT-FEED). VT-FEED partnered with these organizations in order to identify current state-level legislation that encourages schools to purchase local food. Incentive legislation is defined as state-level funding that is awarded to schools or districts, redeeming local (as defined by the state or organization) school food purchases; this funding is typically reimbursed at the rate of cents on the dollar or cents on the meal, receivable upon receipt submittal. By examining the successes and challenges of incentive legislation in other states, Vermont can better assess whether to propose similar legislation, if it so chooses. This report is intended to provide information to decision makers, who can then determine whether creating incentive legislation will increase local food purchasing by schools in the state of Vermont.

We name this idea of incentive legislation, as we do not intend to create a perpetual reimbursement program, but rather devise an incentive, which will catalyze school nutrition personnel to engage in the habit of local purchasing. Our goal is for this practice to continue if and when funding is no longer available to a school or district. Incentive legislation could be a potential lever, one that helps Vermont achieve its goal to have schools purchasing at least 50

percent of their food from local or regional food sources by 2025. This is not an endorsement of potential legislation, however; it is meant as an exploration of the potential, to be discussed and debated among Farm to School advocates.

Research Approach

We approached the research by first reaching out to states that were thought to have purchasing incentive legislation in place: Oregon, New Mexico, Michigan, Alaska, New York, Pennsylvania, California, and Montana. As we reached out, we found that the following states do indeed have working legislation in place: Oregon, New Mexico, Michigan, New York, and Washington, D.C. Groundworks, Action Circles of VT, and VT-FEED then conducted a series of interviews in some of these states and reviewed reports of others. Research has been conducted as a partnership, as there are several other states exploring and reporting on the effectiveness of incentive legislation. The Groundworks Center for Resilient Communities presented much of the collected information to Michigan's legislature in March of 2017, and some of the following information is based upon their report with permission, *10 Cents a Meal: For School Kids and Farms, Legislative Report* (Matts, et al. 2017).

Components of Existing Legislation

Excerpt from *Michigan's 10 Cents a Meal for School Kids & Farms: 2016-2017 Legislative Report*

OREGON

Components: \$4,519,189 for 2015-17, divided between \$3.6 million for all schools to purchase Oregon grown produce and products, and \$900,000 in competitive grants for school gardens and educational activities. Remaining funds are for administrative costs.

Eligible Commodities: Food produced (i.e. grown, raised or caught) or processed (i.e. milled, frozen, dried, or canned) in Oregon. That can include products grown, raised or caught outside of Oregon but processed in Oregon.

When started: 2011

Students enrolled in impacted schools: 576,407

How funded: State lottery, General Fund, and other funds to the Oregon Department of Education.

How funding has continued: In 2011 Oregon dedicated \$200,000 to competitive grants for schools for 2011-2013, requiring 87.5 percent to be used for procurement and 12.5 percent for garden-based education. Funding increased to \$1.2m for 2013-2015, with at least 80 percent for procurement and at least 10 percent for education. In the last year, Oregon transitioned to non-competitive grants for procurement and quadrupled funding. At the time of this report, they have \$4.5m in trial by the Ways & Means Committee.

Administered by: Oregon Department of Education in collaboration with Oregon Department of Agriculture.

Program outcomes: In the 2015-2016 school year, 128 school districts incorporated Oregon products into 89 percent of school meals. In 2016-2017, 144 districts opted in to participate.

NEW YORK

Components: \$300,000 divided between \$100,000 for program development and \$200,000 in up-front grants to 16 pilot school districts in two counties. Schools draw down between \$0.06 and \$0.25 cents per meal (based on percent of food budget that is local) for procuring food grown within New York.

Eligible Commodities: Fruits, vegetables, meats, poultry, dairy, eggs, and processed foods with at least 65 percent New York grown ingredients (cheese, yogurt, maple syrup, etc.). Fluid milk is excluded.

Funding designation: Up to 50 percent of the grant funds may be spent on kitchen or growing equipment, trainings, events, and educational programming. An additional 10 percent of the school reimbursement funding can be used to purchase indoor year-round grow racks.

Students Enrolled in impacted schools: 21,147

How Funded: General Fund

Administered by: New York State Department of Agriculture and Markets

Program Outcomes: By March 2017, 43 different NY products have been purchased and served; 94 percent of schools purchased through three distributors (\$29,198) and 75 percent of schools purchased directly from 15 farmers (\$28,614).

NEW MEXICO

Components: Two different funds totaling \$335,000 for the 2016-2017 school year. Grant-winning schools for a \$250,000 fund are reimbursed up to a granted amount after turning in receipts for local purchases. Twelve schools in the Albuquerque School District receive \$85,000.

Eligible Commodities: Dry beans, chilies, vegetables, and fruits that are New Mexico grown certified.

When started: 2007 for Albuquerque schools; 2013 for other schools statewide.

Students enrolled in impacted schools: 236,835

How funded: General Fund

How funding has continued: Statewide school funding increased from \$100,000 in 2013 to \$240,000 in 2014 and again to \$364,300 in 2015. In 2016, budget strains reduced funding to \$250,000. Albuquerque schools remain steady at \$85,000/year. For both programs, any unexpected balance carries over to the next fiscal year for the farm to school procurement program.

Administered by: New Mexico Public Education Department and New Mexico Department of Agriculture, which operates under the branch of University of New Mexico.

Program outcomes: For 2015-2016, 280 food service authorities served produce from more than 30 farms to 342,902 students.

MICHIGAN

Components: \$375,000 supporting 29 counties, with \$335,000 provided for match funding for up to \$0.10 per meal. The remaining \$40,000 designated for data collection and analysis and administrative costs.

Eligible Commodities: Fruits, vegetables, and legumes that are grown in Michigan and, if minimally processed, are also processed in the state.

When started: 2016

Students enrolled in impacted schools: Roughly 48,000

How funded: General Fund

History of funding: The 10 cents funding incentive was introduced as one of 25 recommendations in the 2010 Michigan Good Food Charter. In 2011, Gov. Rick Snyder spoke positively about farm to school programs generally. In 2012, advocates in northwest Lower Michigan announced their intent to seek private funding for a local pilot project to test the merits of 10 Cents a Meal, and launched that three-year pilot in 2013. Its results inspired Senators Darwin Booher and Goeff Hansen to establish a state pilot in 2016.

Administered by: Michigan Department of Education

Program Outcomes: Schools to offer students 49 different Michigan-grown fruits, vegetables and dry beans. These purchases catalyzed sales for 86 different farms and 16 additional businesses such as processors and distributors in 28 counties.

WASHINGTON, DC

Components: An extra \$0.05/meal for purchasing from D.C., Maryland, Virginia, Delaware, West Virginia, Pennsylvania, New Jersey, North Carolina.

Eligible Commodities: Meat, fruit, vegetables, and locally baked bread.

When Started: 2010

How funded: Healthy Schools Act by way of the 'Soda Tax'

How funding has continued: Permanent Fund.

Administered by: Office of the State Superintendent of Education

Program outcomes: In 2016, 26 percent of all food was purchased within 100 miles of the District, including 60 percent of all apples.

Key Findings and Anecdotal Evidence

Oregon

In 2011, researchers in Oregon received a grant from the Health Impact Project, a collaboration of the Robert Wood Johnson Charitable Foundation and The Pew Charitable Trusts to project impacts of HB2008, the Farm to School and School Garden legislation. Since this report, funding of the program has increased significantly from the original amount of \$200,000 in 2011 to \$4.5 million, today.

This is the first year that Oregon has expanded its program across the state. Initially it began as a pilot program for 33 districts; this year it was expanded to 144 districts. In the legislation, there was no money designated to provide technical assistance to schools in regards to local purchasing or data reporting instruction. This meant that the quick expansion of the program has been challenging for the few people in the state who are able to provide technical assistance. This challenge has been addressed for the 2018 fiscal year, as money will be provided for technical assistance to programs who receive grant funding.

Purchasing data is self-reported at the time a school is awarded the non-competitive grant. This has created a few issues because at the baseline, school nutrition staff do not always know what they are already purchasing. We know this because the Department of Education reviewers found discrepancies in the data reported and the products in schools. There is speculation for the cause of this, mostly attributed to school nutrition personnel not having enough time or resources, or technical assistance to sift through data. The National Farm to School Network has since become involved in helping with the data reporting and clean up. There is no money for data and tracking written into the current legislation.

The Department of Education is asking schools to report purchasing data every three months. Schools report 'claims' but not receipts; the Department of Education also collects some data through broadline distributors.

An evaluation of the program was published in June of 2017 and, of note, shows that local fruit and vegetable purchasing has increased statewide by just over two percent. Likewise, grain purchased increased by three and a half percent. The fruit and vegetable increase was an intentional outcome of the original legislation, however the increase of grain purchasing was an unintended consequence. In the current legislation, bread purchases are excluded as eligible for grant funding, since the ingredients for the bread were not grown within the state of Oregon. Furthermore, this evaluation found that during the grant funding period, the number of counties purchasing local food grew from 104 to 119, a 6% growth in impact. Moving forward, money awarded to schools will count only towards new local purchases so as to increase local purchasing and not simply continue with vendors and items that are already established within the school or district.

Megan Kemple, Executive Director for Oregon Farm to School and School Garden Network has provided us with a list of best practices for local purchasing legislation. Megan advised that if a state moves forward with this, they include the following into a proposed bill:

- Allow reimbursement for products that are state-grown or processed products that include at least 50% ingredients grown within the state.
- Include money for technical assistance (this includes creating a list of farms from where school can purchase locally, as a guideline to getting started)
- Exclude bread and fluid milk
- Make grants competitive
- Provide money for educational activities
- Require the farm source on reimbursement requests
- Include money for evaluation
- Offer a match (\$0.10 for \$0.10 the school spends locally on a meal)

Michigan

The 10 cents funding incentive was introduced as one of 25 recommendations in the 2010 Michigan Good Food Charter. In 2011, Gov. Rick Snyder spoke positively about farm to school programs generally. In 2012, advocates in northwest Lower Michigan announced their intent to seek private funding for a local pilot project to test the merits of 10 Cents a Meal, and launched that three-year pilot in 2013. Its results inspired Senators Darwin Booher and Goeff Hansen to establish a state pilot in 2016.

Funding through the legislation exists currently in two Prosperity Regions and has built in funding for data tracking and analysis. School nutrition personnel are required to submit receipts monthly to the Agency of Education, who then inputs data into an excel tracking document, where farmers names must be identified. Because source transparency is required in order to participate in the program, broadline distributors who have source identification are often awarded contracts over those who cannot provide this service.

The Department of Education and Groundworks Center developed a complex formula for reimbursement that takes into account produce available by season. Since more produce is available in the fall, payout can be higher during this time. The \$0.10 payout amount was recommended in the 2008 Good Food Charter, the primary basis assumed that a serving of fruits and vegetables costs \$0.20, which would be covered with the required matching grant. With inflation, it may now cost between \$0.20 – \$0.30.

Legislation calls for a matching “up to 10 cents a meal” based on lunch numbers, meaning the maximum grant a school may receive is 0.10 times their school lunch participation numbers of

the previous year. However, schools can also use the funds in any reimbursable Child Nutrition Program, including breakfast and reimbursable snacks and Summer Meals. Since there is not enough funding to go around to all of these programs, the Michigan Department of Education prorated meals so that each school does, in fact, receive less than \$0.10/meal.

There appear to be several advantages to Michigan's legislation roll-out. First, schools are participating in a competitive grant program. This means that schools that participate have shown that they are able to properly procure, menu, promote, and market Michigan-grown products and plan for educational activities that promote the goals of the program. Second, the roll-out has slowly expanded. This means that there is enough capacity for technical assistance support to the programs that are funded by the State. Third, the State provides a matching grant program, which means that schools and districts have a financial investment into the program. Finally, money was allocated in the legislation to support data analysis and support. Because this exists, Michigan will be able to track spending on local purchases beyond what is awarded to schools, though tracking is only recorded up to the matching grant amount.

New Mexico

Anecdotally, Pam Roy the Farm to Table and the New Mexico Food & Agriculture Policy Council, relayed that the grant funding in New Mexico has had several advantages. First, incentive funding inspires food service personnel to 'get over the hump' of the three bids and a buy process. Once they engage with this process for the first time, they are more likely to engage again. Second, incentive funding has encouraged food service personnel to engage in their community and reach out to local farmers.

Washington, DC

The Office of the State Superintendent of Education (OSSE), which collects self-reported data from schools, manages the funds. When a school submits their National School Lunch Program data, they also submit a claim that they purchased local foods. Incentives are then administered with NSLP reimbursements at a rate of \$0.05 per meal, without receipt submittal. The OSSE previously intensively reviewed receipt submittal, with one person providing technical assistance and two people reviewing menus for 220 schools. They found this to be very intensive and have simplified the process because of the resources it took to execute reviews. Now the OSSE has developed strong relationships with non-profits in the District, who provide technical assistance to schools who wish to purchase local food and provide nutrition education. Erica Walther at the OSSE has advised that, when creating new policy, to consult the state agency that may be required to audit incentive reporting. She also advises to write in a \$0.15 - \$0.20 incentive, as she finds that \$0.05 is not enough to support local purchases. Finally, she suggests that the positions that are required to administer the funding be explicitly outlined in the legislation.

Implications for Vermont

If Vermont wanted to pursue this legislation, there are several key questions to consider:

- Would it be a competitive grant program or a non-competitive reimbursement program?
- What type of products would be incentivized?
 - Currently proposed foods include: fruits, vegetables, legumes, non-fluid dairy (excludes milk) and proteins, fresh or minimally processed.
- Would money for administrative costs be included?
 - Michigan uses \$40,000 to fund administrative support
- How would money for professional development, technical assistance, and nutrition education through the existing Farm to School grant program be leveraged?
- How will tracking be set up so it is easiest for reporting?
- How will distributors provide source identity?

A proposed first step might be a pilot program in a few districts that would test these parameters and measure outcomes to determine whether the policy could be successful at increasing local purchasing in schools, and at what levels.

According to Hunger Free Vermont, the total number of school lunches served in 2015-2016 were: 8,046,485. The total number of paid lunches of that number was: 4,737,454. If Vermont were to create legislation that subsidized every school lunch at \$0.05 per meal, the total reimbursement amount would be: \$402,324. To increase the reimbursement to \$0.10/meal would cost: \$804,648.

As this topic is discussed further, please note that evaluation data is still being collected in Michigan and Oregon. As we move forward with reporting and more data is collected, we can include more detailed information with potentially more systematic metrics.

Finally, please keep in mind our Vermont Farm to School Network goal and consider why incentive programs may contribute to this overall mission:

Incentive programs are supported in a number of states for the following reasons.

Incentive programs:

1. Give school nutrition programs experience in local purchasing and help develop relationships with farmers.
2. Build greater transparency in the supply chain by requiring source identification.

3. Support school meal program investments in local products, understanding the contribution to the local economy (in Vermont, this is a multiplier effect of 1.6, or \$0.60 additionally invested into the economy for every dollar spent locally).

The Vermont Farm to School Network goal is as stated:

By 2025, 75% of Vermont Schools will lead the cultural shift to a values-based food system that engages 75% of our students in integrated food system education; community-based learning; nourishing universal meals; and the experience of self-efficacy; purchasing at least 50% from a socially just and environmentally and financially sustainable regional food system.

References

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