LEFT OVER

EPISODE 4

"Their Job is Not to Make Kids Healthier"

40 billion dollars. That's how much the "Big Three" food service contractors—Aramark, Sodexo, and Chartwells—earned in the United States in 2019. Many public school meal programs are run by private companies with a documented history of cutting employee wages, reducing food quality, and pocketing incentives meant for schools. Reporter Jessica Terrell details how corporations profit off the public school lunch system, and talks to a few of the people who have worked to hold them accountable.

Jessica Terrell:
In 2015, a group of students at Roosevelt High in Chicago who were frustrated with the quality of school meals organized a multi-school boycott of the district's lunch program.

Angel Gonzalez:
I want better food. I want to eat. I want to eat right.

Terrell:
That's Angel Gonzalez, one of the student organizers. The teens were unhappy with meal sizes, a lack of options, and food that they said was often served frozen or poorly heated. Many students in the group were also distressed that the school nutrition program in Chicago was–and still is–managed by Aramark, a multinational corporation that also operates prison meal programs.

Gonzalez:
It was not something we wanted to be a part of, and we wanted to just take things into our own hands. Is there no better way of feeding us?

Terrell:
Aramark is one of three companies–along with Compass Group and Sodexo–collectively known as "the Big Three" in the food service industry. In 2019, the last full year before the pandemic, "the Big Three" earned a combined $40 billion in the United States. The activists who created the first school-meals programs in the 1900s fought hard to keep for-profit businesses out of school cafeterias. It's a fight they lost at the inception, and expansion, of the National School Lunch Program.

Today, private companies exercise vast control over what students eat, how it gets on their plates, and even who serves it to them. In the previous episode, we looked at how most schools rely on prepackaged and highly processed food manufactured by large corporations. Today we're going to take a look at some of the other ways corporations are profiting from school lunch, and what's lost when essential public services are put into the hands of private companies.

This is Left Over: How Corporations and Politicians Are Milking the American School Lunch. I'm Jessica Terrell.

It's lunchtime at Washington High School in Houston, and hundreds of students are gathered around tables in the school cafeteria eating chicken sandwiches, cheese calzones, and fruit and vegetables from a salad bar. The cafeteria is bustling, a sign of the hard work that Betti Wiggins and her team do to keep students eating on campus, despite all the competition they face from snack shops, food delivery

services, and fast food restaurants near school. Betti is the head of the district's nutrition program. She's on a mission to feed children healthy meals, but it's also an actual income-earning enterprise to keep school cafeterias as full of satisfied customers as possible.

Betti Wiggins:
I think food service directors are the most astute business people there are.

Terrell:
That's Betti. She's in her 70s. She has short black and gray hair, and a calm and friendly demeanor. After more than four decades of working in school nutrition, she also has no qualms about calling things like she sees them.

Wiggins: Every day we get up, we try not to take dollars outta the classroom by managing our business. Our not-for-profit business.

Terrell:
School meal programs are one of the few parts of public education that is not free for all students, and also not a part of a school's general operating budget. Instead, meal programs are almost always expected to be self-sustaining, funded by federal food donations, what students pay for meals, and the per-meal reimbursement that the federal government pays on behalf of low-income students.

Wiggins:
They give 'em a ride, they'll give 'em a uniform. They give 'em band instruments. Why can't we give them meals?

Terrell:
School nutrition leaders have to deal with all the same challenges that restaurant managers do–rising food costs, staffing shortages, food safety, marketing campaigns. But they work in an environment that is intensely regulated. Imagine a restaurant that has no control over its hours, strict requirements for what it can and can't serve, a picky and limited customer base, and complex sets of federal and state procurement rules that have to be followed to the letter.

Betti started her career working at a hotel food-service management company before moving into school nutrition management. She's taken the lessons that she learned there and used them to make a school meal program in Houston that is so successful it can actually subsidize things like school gardens, an urban farm, and a robust nutrition education program.

Wiggins:
We focus on food and education and changing the eating habits of children. There's so many things—I can't even tell you all the things that food literacy has done. We have a student-run farmers' market. We have hydroponics, we got little kids out growing vegetables. We have a farm where kids can come and have a field trip. None of the funding for our school nutrition farm comes from the general fund. Nothing. Not one cent. Not one dinero. Not one dollar.

Terrell:
Not every district has a Betti Wiggins. But private food service management companies eagerly fill the void. The USDA, which oversees the National School Lunch Program, does not keep track of how many school districts outsource the management of their meal programs, but large companies like Aramark,

Sodexo, and Compass Group–along with dozens of smaller regional operators–have a significant foothold in school cafeterias.

For this series, we filed public record requests with all 50 states asking for an accounting of how many districts have contracts with food service management companies. Eight states–including Texas, California and New York–either didn't respond or said they don't track that information. There are six states that don't have any school districts using private companies: Louisiana, Alabama, Hawaii, Kentucky, West Virginia, and North Dakota. For the remaining 36 states, we calculated that around 25% of public school district meal programs are managed by corporations.

While private companies can offer a number of benefits to districts that don't have the in-house expertise to operate a school meal program, their business practices have raised a number of concerns over the years. Like improperly pocketing kickbacks from food manufacturing companies, reduced food quality, lower pay and benefits for cafeteria employees, lack of transparency about food sources, and the creation of a system that favors large manufacturers, leaving little room for small local businesses to get into the school food market.

Wiggins:
I think management companies do have a benefit in districts that have no resources.

Terrell:
Betti says that management companies can offer cheaper food prices for smaller districts because they buy in bulk. And they know what they are doing. They know how to manage a business and market school food, which can help turn around failing programs and get more kids fed. Even though she's relatively pro-management companies, she does have some concerns about them running public meal programs. The first problem, she says, is that district-run programs are not operating on the same playing field as private companies.

Wiggins:
They don't have the barriers we have. They can do their own procurement, they can have marketing programs. We can't take the board out to dinner and do the things that they do. We can't do the kind of marketing they can do or buy the kind of things they can do because our procurement is restricted. They just have a greater freedom to do the things that you need to do to develop a business.

Terrell:
And a much bigger staff to turn to.

Wiggins:
If I had a management company they would have a corporate office somewhere who had a hundred people in it who do nothing but focus on how to market to children, how to market to parents.

Terrell:
The second problem, Betti says, is that in a program with such limited funding, every dollar spent on management fees has to come from somewhere.

Wiggins:
Where is the money coming from? Where is the money coming from?

Terrell:
Meal programs can only lower labor and supply costs so much. Betti says from her experience working in multiple districts–and helping to turn both Houston and Detroit back into programs operated by the district rather than private companies–the profit comes from cutting the quality and variety of the food.

Wiggins:
It's gonna come out the kids' budget. It's out the kids' bellies. It's gonna come out of food costs.

Terrell:
Two whistleblower lawsuits in the last decade shed light on this dilemma by showing how prices and relationships with large manufacturing companies directly influence what students eat. In 2010, Sodexo, one of the "the Big Three" national players in food service management, paid $20 million to school districts in New York State to settle a lawsuit brought by the state Attorney General's office and a law firm that represents corporate whistleblowers. The lawsuit centered around how the corporation was benefitting from secret rebates from food manufacturers, or what is known as a kickback.

Colette Mattzie:
So Sodexo has contracts on the front end with the school districts, and then on the back end, unknown to the school districts, they had a series of rebate agreements.

Terrell:
Essentially, major food manufacturers had an agreement with Sodexo to give the company a refund based on the percentage of food they ordered. So a school district would pay a certain amount for the price of food, and then Sodexo would get a refund for part of the purchase price.

Matzzie:
In Sodexo's case, they called them "off invoice rebates". "Off invoice rebates" really meant we are not going to put them on the invoice that is going to the school district. We're not going to disclose them.

Terrell:
That's Colette Matzzie, the lawyer who represented the original whistleblowers in the case. Kickbacks like this are thought to be a fairly widespread practice in the food industry, but the National School Lunch Program explicitly requires food service management companies to pass along any rebates they get to districts.

Matzzie:
Our clients were instructed that what they knew about these backend off-invoice rebates that no customer, no hospital, no school district was allowed to know about them. And that they would take the position that that was just a separate source of income for Sodexo. The lack of transparency for the schools in the decision making process by Sodexo and its retention of rebates, you know, is at the core of this case and the later cases.

Terrell:
Sodexo's public relations team declined our interview request. In a written statement, a spokesperson for the company said that in 2010 Sodexo was made aware that it was "inadvertently operating some private school accounts out of compliance with USDA regulations." The statement said Sodexo now "operates in full compliance" with the USDA requirements.

After the first settlement in 2010, the Senate held hearings looking into the question of why the USDA was not doing more about this problem. The USDA's Office of the Inspector General looked into the issue and basically said that yes, kickbacks were widespread in the industry and the USDA should play a larger role in enforcement.

Matzzie:
USDA's Food and Nutrition Services took the position that rather than engaging in direct enforcement themselves, they would defer to state and local school districts for enforcement of these provisions. It's a way too large of a task for an individual school district to audit a company like Sodexo. You know, that's worth billions, or Compass or Aramark. USDA still actually takes that position that it's up to the state and local governments to do the monitoring.

Terrell:
Colette's firm was involved in a second case several years later, where Chartwells, the educational arm of Compass Group, ended up paying the D.C. school district $19.4 million to settle a lawsuit regarding cost overruns and procurement issues.

In that case, Chartwells had been giving the district rebates like it was supposed to, but it was making decisions based on where it would receive the largest rebates rather than what vendors would provide the least expensive or highest quality food. Essentially, choosing to prioritize relationships with large manufacturers over the interests of students. So even though it gave the rebates back to the schools, it retained them for their other customers and it affected the choices they made.

In a written statement, a spokesperson for Chartwells said the company operates with integrity and will "always do what is in the best interest of students, families and school districts …" They contend that the lawsuits filed by the whistleblower in DC contained false allegations, and that the company's seven years of service to the DC school system resulted in millions in cost savings for the district. Chartwells exited its contract with DC schools after settling the case.

Colette says there have been some recent cases involving smaller companies, but she thinks at this point that at least all three of the major companies are remitting rebates the way they are supposed to, in part because there haven't been any whistleblowers coming forward in recent years, but also because of the deterrent of having to pay such a large settlement.

There are other ways, though, that food companies get side benefits from their contracts, especially because the system favors large food manufacturers that can offer the biggest rebates.

Matzzie:
There are millions of children in the school lunch program, right? And then in addition, there are other accounts that Sodexo has. They're making more money off the backs of the school children receiving those goods, even if the rebates are being remitted in that specific instance. It's allowing them to leverage their relationships with the school districts to buy more product from the vendors and thereby retain more rebates based on those relationships. So yeah, a real lack of transparency. And it's very hard for an individual school district to penetrate that, right?

Terrell:

Colette says the lawsuits also really shed light on the false promises that some food service management companies make to districts, and the negative impact their actions can have on the children the program is supposed to serve.

Matzzie:
What we really found was you know, the companies come in and they pitch that there are cost savings associated with privatization. DC was a great example of that, where they made promises that they would be able to bring in the school meal program under an amount that DC had never been able to achieve and then they subsequently just overran it by millions and millions and millions of dollars and asked the city council repeatedly for more money. I think all the studies that have been done suggest that no, it is not a less expensive way to run your school meal program. So there's that.

Terrell:
Even if the rebate issue is resolved, Colette sees challenges with how vendors turn schools into a fast food environment.

Matzzie:
I think there's real questions about the privatization from what we've seen. And our ability to change the way in which children receive quality nutrition through these programs is really affected by these companies' interest in turning the cafeteria into a profit center.

Terrell:
Chicago was a pioneer in the privatization of school lunch services. The district hired a young corporate hotel executive in the 1990s to help pilot a program by contracting with large management companies like Marriott to take over school lunch programs. The move came amidst a significant budget crisis in the school district and dwindling participation in the lunch program. At the time, it was hailed as an innovative move that would help draw students back to the cafeteria by giving them what they wanted. Chicago was the largest school district in the United States at the time to hand over the management of its cafeterias.

The number of students eating school lunch grew by nearly 10 percent in the first few years. But five years in, an investigation by Physicians' Committee for Responsible Medicine found that Chicago school meals had one of the highest fat content in the nation. There was also a rash of complaints about food safety and cleanliness in school cafeterias documented by the Chicago Tribune. Initially, several companies were servicing Chicago schools, then the contract was consolidated. In 2013, Aramark won the contract to manage the lunch program at all 638 schools in the district.

Protest Audio:
…The mighty mighty parents. We are the teachers, the mighty mighty teachers. We are the parents …

Terrell:
In the fall of 2021, I attended a protest that the teacher's union organized outside of the headquarters for Chicago Public Schools.

Protest Audio:
Hey hey, ho ho. Aramark has got to go. Hey hey, ho ho. Aramark has got to go. Hey hey, ho ho. Aramark has got to go…

Terrell:
The teacher's union had several grievances, but a big one was Aramark's ongoing contract to provide janitorial services for the district. Hundreds of school inspections in the previous five years had revealed rodent droppings, dirty bathrooms, and broken contract agreements, but the district continued to renew its contract with the company.

Aramark did not respond to numerous requests for comments submitted over the course of several months regarding the company's food and janitorial services in Chicago, as well as its broader business practices and complaints about food quality and transparency.

Stacy Davis Gates:
We are absolutely hearing about rodents and vermin to some degree. We're hearing about garbage not being removed for days at a time.

Terrell:
That's Stacy Davis Gates, President of the Chicago Teachers Union.

Davis Gates:
Educators taking photographs of, you know, a garbage can that sits in the same place day after day after day.

Terrell:
Stacy and other teachers at the protest said that, yes, they were concerned about the quality of school meals in Chicago. It's just a much lower priority in a system grappling with more urgent crises. Here's Chris Geovanis, the current director of communications for the union.

Chris Geovanis:
It's not that school lunch isn't important, it's kind of a crucial quality of life issue. And it hasn't been top of mind 'cause we can't keep f— rodents out of the buildings.

Terrell:
One complaint levied against food service management companies is that they target urban school districts like Chicago with high rates of vulnerable students who qualify for free and reduced priced meals. Betti Wiggins, who also used to manage the school meal program in Detroit, says the reality is a little more complicated.

Wiggins:
I really do not believe that a management company says, "Let's go get all the poor Black and brown children". No. But it's the easiest way to put a pro forma together and see how you're gonna make your money.

Terrell:
A pro forma is a projection of future earnings for a business.

Wiggins:
I see them targeting opportunity. And it's mostly urban school districts. If I go in with a high free and reduced district and I say, Oh I'm 87% free, so let me do the pro forma. How much revenue do I have to generate? Ok. We have to target 75% participation every day 'cause the money is, the money is there.

Terrell:
Betti has transitioned two districts away from management companies and back into district control over the course of her career. But once school districts eliminate their nutrition department and switch to a private operator, it's a difficult path to get back from.

The students at Roosevelt High School didn't know much about privatization, or how school lunch programs are run, when they started researching them as part of a civics class in 2015. They just knew they didn't like what was being served to them.

Gonzalez:
They would serve salad that looked and tasted like it's been in the fridge for two weeks. So it was all really dry. People found rotten fruit, frozen fruit, fruit that you can't even bite into cuz it's so hard and it's still frozen from the inside.

Terrell:
With the help of a civics teacher named Timothy Meegan who was also known as an outspoken community activist, the students learned about how the federal program works. They built a website highlighting their research. The site showed pictures of the food at Roosevelt–rotten pears, frozen milk, hamburger patties with pieces of blue plastic mixed in with the meat. They compared those meals to the ones served by Aramark in Illinois prisons, and interviewed longtime teachers, who could remember a time when the school meals were cooked on site, and even staff ate at the school cafeteria.
They asked for a meeting with Aramark officials to make their case for changing the school lunch. Angel had a sports practice that day, so he didn't go to the meeting.

Gonzalez:
And the next day I remember walking up to Meegan's class, seeing some of the people from my class. And I started asking, yo, what happened? Like, what's going on? And they looked sad. They looked like they had just been slapped around and I'm like, "Oh man, like we lost didn't we?" And one of my peers was like, "Yeah, we lost".

Terrell:
That's when the students voted to hold a cafeteria strike. The students striked a few different days. Other schools joined in. There was even some national media coverage of the protests. They got to have private meetings again with Aramark. With the head of the nutrition program for all the schools in the city. They started to feel like they could make a difference.

Gonzalez:
If nobody's gonna give us a voice, we have to make our own voice. We gotta scream louder until they hear us. Because if nobody's willing to come do this for us, then I feel like I'm just gonna do it myself.

Terrell:
Some of the things the students were asking for, like vending machines, were banned under federal guidelines and out of the district's control. Aramark and the district made a few concessions to the students, like bringing back a popular slushy machine, but then things kind of fizzled out. Their teacher, Tim Meegan, told me that after the boycott started, the district banned him from attending any further meetings between Aramark and the students. Before the start of the next school year, Meegan was among nearly 500 teachers given pink slips.

Getting meaningful change in a school food program can take years of sustained effort and coordination. Carrie Frazier is a mom in Eugene, Oregon, who spent a decade trying to make improvements to the school lunch program there, which was managed by Sodexo. At first, she was just trying to get rid of flavored milk in the cafeteria and get the school district to purchase more local food.

Carrie Frazier:
The problems we ran into with the food service management company is that they would tell us, "Yes, yes, yes." And, "We want the best for kids too, we're on your side." But then nothing happens. So they were very good at saying yes, but it was very stagnant.

Terrell:
Carrie is in her early 50s. She's got shoulder-length blonde hair and the kind of enthusiastic energy that it takes to keep trying and trying until something changes. She helped form an organization to improve school lunch in the area. She built relationships with the school board, people in the district, representatives at Sodexo, with local food producers. Year after year, she tried to push for incremental changes, all the while lobbying the district to stop working with one of "the Big Three".

Frazier:
From our perspective, they say they prioritize kids, but that's not what we see. We see them choosing profit and choosing convenience over the kids' health.

Terrell:
The district voted in 2019 to transition back to operating its own nutrition program. Carrie was thrilled, but she says the entire process has really eroded her trust in public education and the system that is supposed to take care of her children.

Frazier:
So then you kind of start to question the whole, the larger system. I feel fortunate that I could get involved in making improvements, and not everybody had the time and the ability to do that. And so you just wonder about the districts that don't have parents and community members that have the luxury of being able to form an organization and have weekly, monthly meetings. Like how are we gonna make changes across the board?

Terrell (in interview recording):
Hi, yeah. So nice to meet you. Thanks for….sorry I'm running a few minutes late.

Jose Oliva:
No, it's okay. You're vaccinated?

Terrell (in interview recording):
Yes.

Oliva:
Okay, cool. Cool. Cool. Come on in.

Terrell:

Jose Oliva is the campaigns director of the HEAL Food Alliance, a coalition of organizations dedicated to creating a more just and healthy food system for both communities and food producers. I met Jose at his home in Chicago in the fall of 2021, just a few miles north of Roosevelt High School.

Oliva:
The problem in Chicago is lack of transparency. And I think that is probably the problem in almost every school district where we have successfully passed a good food purchasing policy.

Terrell:
Jose, a soft-spoken father of two with short brown hair and a neatly trimmed mustache and goatee, was part of a coalition of nonprofit leaders who helped get both the city of Chicago and the school district to adopt Good Food Purchasing Policies in 2017 and 2018. The agreements, which are overseen in part by the National Center For Good Food Purchasing, are part of a growing movement among progressive districts and cities to buy more food that is ethically sourced and take into consideration things like…

Oliva:
Human health, environmental sustainability, animal welfare, local economies, and labor, a valued workforce.

Terrell:
Jose and others working on good food purchasing policies see school meals as a really key place to start improving the current food system.

Oliva:
The meal is important, right? But the school meal is in essence the tip of the iceberg. That school meal here in Chicago, for instance, y'know every single school is providing lunch and breakfast to kids. The school meal has a profound impact on the entire supply chain, not just on the kids that are eating the food. The impact that that food is having on our environment, on the workers who are producing it, on the animals that are being slaughtered to make the food, on the communities in terms of their local economies, is significant. And so we know, right, that if we can transform that school meal into something that has a positive impact on those communities and on those conditions and the environment, that's gonna have a positive impact downstream, all the way to the farm. To the folks that are in the farm growing the food.

Terrell:
A big part of this pledge is tracking and sharing information about what purchases are being made and where.

Oliva:
Food service corporations, like Aramark for instance, will not release the data on where the food is coming from, that they are supplying to the school districts. So here in Chicago, we think we know where something like chicken for instance is coming from, but we're not certain, we're not sure. From what plant does it come from? What are the wages of the workers, for instance, in that plant? They won't share any of that.

Terrell:

Ariana Oatman, a dietician at Chicago Public Schools, says that Aramark seems amenable to working with the district on providing data, but that a lot of the data also comes from subcontractors, which makes it more complicated.

But Marlie Wilson, the Good Food Purchasing Project Manager at the Chicago Food Policy Action Council, who is tasked with collecting data from agencies in Chicago and sending that to the National Center For Good Food Purchasing for further analysis, says another problem with lack of transparency from Aramark is that they are not sharing the price points of the products they are procuring. Marlie says this really stymies efforts to make an even playing field for local food producers. Here's Jose again.

Oliva:
You know, it has become at this point pretty obvious to us that it is their policy to keep everyone in the dark, to keep the communities in the dark, to keep the kids who are eating the food in the dark, about where the food comes from and what the qualities of that food are.

Terrell (in the interview recording):
Does that concern you at all as a parent whose kid eats this food every day?

Oliva:
Oh, absolutely. I talk to my kids every day about the food that they're eating. I ask them questions about it and 90% of the time they don't know where the food came from. Even though they ask. They ask the lunch ladies, right? The answers that they get are "I don't know, I don't know where the food comes from", right from the staff. The staff themselves are not sure where the food is coming from. We're paying the tax money to buy that school food. We should have control over what kind of food our kids eat.

Terrell:
The control that private companies have over school food isn't confined to management companies. From agricultural producers who want more of their products in school cafeterias, to food manufacturers who see the benefit in cultivating brand loyalty early, there's an entire ecosystem of companies with a vested interest in nearly every aspect of school food.

Marion Nestle:
Schools are a battleground for profiteering. Flat out.

Terrell:
That's Marion Nestle , a molecular biologist, nutritionist, professor, and one of the nation's leading experts on food politics and policy. She's 86, with a head of wild, curly white hair and an energy that makes her seem decades younger–even when battling a cold, as she was during our interview.

Nestle:
The important thing to understand, and it's something that I just repeat constantly, is that food corporations are not social service agencies. They're not public health agencies. Their job is not to make kids healthier. Their job is to sell products and make profits for their stockholders. They are a business like any other business in the United States. And once you understand that, what food companies are doing in schools makes perfect sense. They wanna sell as much product in school as they can for two reasons. First of all, they get paid for it, and the products are profitable. And secondly, they establish a connection between the child and that product that they hope will last throughout life.

Terrell:
The level of corporate control and influence that has developed over the last half a century as schools were forced to increasingly rely on private companies to feed students with limited budgets–can be a powerful force against change. That's coming up in our next episode.

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