

# **Prevalence and Specifics of District-wide Beverage Contracts in California's Largest School Districts:**

## **Findings and Recommendations**

**April 2002**

**For more information, contact:**

**Amanda Purcell, M.P.H.**

**Evaluation Specialist**

**Public Health Institute**

**P.O. Box 942732, MS 675**

**Sacramento, CA 94234-7320**

**(916) 445-3513**

**(916) 445-7571 fax**

**This report was commissioned by:**



THE CALIFORNIA ENDOWMENT

*A Partner for Healthier Communities*

# **Prevalence and Specifics of District-wide Beverage Contracts in California's Largest School Districts**

## **Executive Summary**

### **Purpose**

In light of the increased media, political, and public attention surrounding soft drink sales in public schools, the California Endowment commissioned an examination of this issue in California. This qualitative analysis examines the prevalence and specifics of district-wide contracts with soft drink companies in California's 25 largest public school districts. Specifically, district-wide beverage contracts were examined for provisions that could potentially impact children's health, including:

- Financial incentives that promote student soda consumption.
- Advertising and promotion of soda products.
- Limited school district control over beverage selection and sales locations.
- Contract administration by non-nutrition personnel.

### **Background**

The decision to enter into a beverage contract carries health implications for children. According to the United States Department of Agriculture, per capita soft-drink consumption has increased almost 500 percent over the past 50 years.<sup>1</sup> Soft drinks include soda, fruit-flavored and part-juice drinks, and sports drinks. On average, adolescents get 11 percent of their calories from soft drinks.<sup>2</sup> Teenage boys and girls now drink twice as much soda as milk.<sup>2</sup> A recent study published in the journal *Lancet* showed that for each additional serving of sugar-sweetened beverage, such as soda and fruit-flavored drinks, that children consumed, both their Body Mass Index (BMI) and frequency of obesity increased.<sup>1</sup>

### **Methods**

The Public Health Institute, a non-profit organization dedicated to promoting health, collected information for this report between March and May 2001. A questionnaire was utilized to assess the presence of soda and district-wide soda contracts in each of the 25 largest public school districts in California. Of the 25 California school districts contacted, 20 completed the questionnaire for a response rate of 80 percent.

Districts that indicated they had a district-wide contract were asked under the California Public Records Act to provide a copy of the contract. Each contract was examined for provisions that could potentially impact children's health.

### **Findings**

According to completed questionnaires, soda is available to students in all of the responding school districts through district-level and school-level processes. In 15 cases, school districts delegate responsibility for soda availability to individual school site administrators. Five districts utilize district-wide contracts to manage soda sales to students.

Because of the high-profile nature of and the large dollar sums involved in district-wide contracts, this report looks closely at the five district-wide contracts and seeks to explain provisions that could have ramifications for children's health.

### **Conclusions**

The presence of soda and laboriously-detailed district beverage contracts provide compelling evidence that beverage companies have mounted successful efforts to establish and maintain a strong presence in California schools.

The commission system sets up a situation in which students and their families provide a significant portion of the money that districts receive from beverage contracts. Soda companies and school districts gain financially when students and their families spend money on soda company products at school.

Contracts provide opportunities for children to purchase soda company products from vending machines, cafeteria lines, concession stands, and booster club events. Products are advertised with scoreboards, educational software, signage, clothing, school supplies, and promotional events.

Instead of maintaining autonomy, school districts must share decision-making with soda companies while abiding by confidentiality clauses that can limit public discourse about product sales and profitability. Because of the duration of some contracts and their termination clauses, school districts can be prevented from changing their beverage policy for up to a decade. Because some school districts seem to view soda contracts as business tools as opposed to segments of the child nutrition program, the nutritional impact of soda on children may be lost. Non-nutrition personnel may not be aware of current health trends and recommendations and may make decisions that seem smart fiscally, but fail to protect children's health.

### **References**

1. Ludwig, DS, Peterson, KE, Gortmaker, S. Relationship between consumption of sugar-sweetened drinks and childhood obesity: a prospective, observational analysis. *Lancet* 2001 357: 505-508.
2. *Soft Drinks and School-Age Children: Trends, Effects, Solutions*. North Carolina School Nutrition Action Committee: North Carolina Department of Public Instruction, North Carolina Department of Health and Human Services, North Carolina Cooperative Extension Service. September 2001.

## Full Report

### INTRODUCTION

In light of the increased media, political, and public attention surrounding soft drink sales in public schools, the California Endowment commissioned a study to better understand this issue in California. The study was conducted by the Public Health Institute, a non-profit organization dedicated to promoting health, between March and May 2001. The study examined the prevalence and specifics of district-wide contracts with soft drink companies in California's 25 largest public school districts. Specifically, district-wide beverage contracts were examined for provisions that could potentially impact children's health, including:

- Financial incentives that promote student soda consumption.
- Advertising and promotion of soda products.
- Limited school district control over beverage selection and sales locations.
- Contract administration by non-nutrition personnel.

### BACKGROUND

#### Definitions

Beverage contracts with education entities exist in two main forms:

- District-level contracts. Soda companies and school districts enter into a contractual agreement in which the district grants beverage sales rights to a particular soda company. The agreement usually covers multiple school sites and, in some cases, all school and administration sites in a district. Some of these contracts prohibit the district and its schools from selling and/or advertising products from competitive vendors. Products covered by the contract may include cups, lids, soda, coffee, water, 100 percent fruit juice, fruit-flavored drinks, and sports drinks. Sales revenue is shared between the district and the soda company.
- School-level contracts and/or sales. Individual schools enter into an agreement with a soda company in which the school sells the company's products. Products may include cups, lids, soda, coffee, water, 100 percent fruit juice, fruit-flavored drinks, and sports drinks. These agreements may or may not be exclusive. In some cases, a school may sell products from more than one soda company. Various groups on campus, such as athletic teams, parent groups, food service, and school administration, can initiate the agreement and receive funds from the beverage sales. Schools also sell soft drinks through a more

informal process in which a private vending company, club, or the school itself owns and stocks the vending machines. Student stores and concession stands also may be stocked with soft drinks independently purchased at other outlets, such as wholesale or club stores.

### **Soda at School**

There is a growing trend in California and the nation of sales contracts between soft drink corporations and the public education system. In September 2000, the General Accounting Office (GAO) reported on commercial activities at school.<sup>i</sup> The GAO noted that “product sales-- primarily the sale of soft drinks by schools or districts under exclusive contracts or short-term fundraising sales--were the most common and lucrative type of commercial activity” at the visited schools. It also stated that nationally, exclusive soft drink sales are the fastest growing activity of all product sales. The most visible forms of advertising that the GAO observed at school were advertisements that appeared on soft drink vending machines and high school scoreboards. Finally, the GAO noted that professional marketers are increasing their attention on children at school. Entities now specialize in brokering contracts between school districts and beverage companies.

### **Soda and Health**

Schools have a unique interest in promoting the health of children. Health is directly related to children’s ability to maximize their academic potential. Healthy children have better attendance, improved behavior, fewer visits to the school nurse, and increased attention, creativity, and test scores.<sup>ii</sup> Although children’s health is not solely dependent on their school, the school can assist children by creating an atmosphere that teaches, supports, and provides opportunities for healthy behaviors.

Beverage contracts provide funding, equipment, and other incentives to schools in exchange for the opportunity to sell and advertise beverage products to students and staff. The decision to enter into a beverage contract carries health implications for children.

#### ***Nutrient density***

Different types of beverages, including soda, sports drinks, fruit-flavored drinks, water, sweetened teas, and 100% fruit juices are sold at school by soft drink companies. For the overwhelming number of students, sports drinks, soda, fruit-flavored drinks, and sugared teas, are sources of unnecessary, empty calories. Unlike 100 percent fruit juices, these drinks do not

provide nutritional benefit to children instead, they provide unnecessary calories, sugar, and caffeine.

Sports drinks are common in vending machines and school cafeterias and are often portrayed as a healthful choice. Sports drinks are useful for elite athletes and people performing extended amounts of physical activity (greater than 1 hour in duration), according to the American College of Sports Medicine.<sup>iii</sup> Most sports drinks are offered in at least 16 ounce bottles and contain a variety of electrolyte and carbohydrate solutions. Children receive no extra benefit in consuming these drinks unless they are extremely physically active.

Serving sizes also are an important factor for children. The soft drink industry has steadily increased container sizes over the last 50 years.<sup>iv</sup> The 6.5 ounce soda bottle from the 1950's has been replaced by the 12 ounce can, the 20 ounce bottle, and the 64 ounce convenience store cup. A 20-ounce soda adds 266 calories to the diet. For a person already meeting their caloric need, a 20-ounce soda every day for a year can translate into an extra 27 pounds of weight. For a 120 pound adolescent who has a healthy diet and exercises regularly, it would take two hours of moderate walking to burn off a 20-ounce soda.

For these reasons, many beverages sold at school conflict with the mission of schools to promote the health and welfare of students and to provide an environment that supports learning.

### ***Obesity and overweight***

There has been an alarming rise in overweight and obese children. Pediatric overweight has been associated with increased disease risks during childhood including hypertension, dyslipidemia, hyperinsulinemia and type 2 diabetes. A recent study published in the journal *Lancet* showed that for each additional serving of sugar-sweetened beverage such as soda and fruit-flavored drinks children consumed, both their Body Mass Index (BMI) and frequency of obesity increased.<sup>v</sup>

### ***Bone health***

According to the United States Department of Agriculture, the per capita soft-drink consumption has increased almost 500 percent over the past 50 years.<sup>v</sup> Soft drinks include soda, fruit-flavored and part-juice drinks, and sports drinks. On average, adolescents get 11 percent of their calories from soft drinks.<sup>vi</sup> Teenage boys and girls now drink twice as much soda as milk.<sup>vi</sup> When children and adolescents replace milk with soft drinks, they consume fewer valuable nutrients like calcium that contribute to bone development and can help prevent osteoporosis.

### ***Dental caries (tooth decay)***

Frequent exposure to sugar-sweetened soft drinks increases risk for and severity of tooth decay, according to the American Dental Association (ADA).<sup>vii</sup> Dental caries is the single most common chronic childhood disease and is five times more common than asthma.<sup>vii</sup> ADA opposes targeting children with promotions and advertising that has the potential to increase the consumption of foods and beverages, such as soda, that are low in nutritional value and high in decay-enhancing carbohydrates.

### **California Beverage Contract Controversy**

Within the last two years, California has witnessed several high profile public reactions to district-level beverage contracts. In June 2000, public outcry began over the Sacramento City Unified School District's plan to implement a district-level contract with Pepsi Co. Pepsi offered the district \$2 million in exchange for exclusive rights to sell and advertise its products to children in the district.<sup>viii</sup> After protest from health professionals and the public, the school district turned down the proposal and instead opted to strengthen the district's nutrition policies.

A similar situation occurred in Roseville in November 2000. However, the Roseville Joint Union High School District opted to enter into a district-level contract with Pepsi Co. for over \$1 million.<sup>ix</sup> This decision was made despite similar protests from health professionals and the public.

Most recently, the Oakland Unified School District adopted a ban on soft drinks in all of its schools. This policy move was spurred by a November 2000 battle over its potential contract with Pepsi Co. for \$5 million.<sup>x</sup> After declining the contract because of public outcry, the school board developed a nutrition policy committee that ultimately called for elimination of soda and unhealthy snack foods from the district's schools.

California took initial steps to limit the sale of unhealthy foods and beverages in schools through the passage of Senate Bill 19 in 2001.<sup>xi</sup> Soda sales will be eliminated from elementary schools and limited in middle schools beginning in 2004 if the state allocates money for this provision. Soda sales in high schools will not be affected.

### **STUDY PURPOSE**

Based on the health implications and public controversy, the California Endowment, a health care foundation dedicated to improving the health of Californians, commissioned the Public Health Institute to examine the prevalence and specifics of district-wide contracts with

soft drink companies in California's 25 largest public school districts. Special emphasis was placed on describing provisions that could result in increased soft drink consumption by students.

## **STUDY METHODOLOGY**

Information for this report was collected between March and May 2001. A one-page questionnaire was mailed to the main office of each of the 25 largest public school districts in California (determined by number of students enrolled at the beginning of the inquiry period, as reported by the California Department of Education). The questionnaire asked about soda sales practices and the existence of a district-wide beverage contract. It also provided space for the respondent to give their name and contact information for follow-up purposes. The questionnaire was designed to be straightforward and quick to complete. Respondents were asked to return the completed questionnaire by fax.

Three weeks after the initial questionnaire mailing, follow-up telephone calls were placed to the main offices of the non-responding school districts, stating the purpose of the questionnaire and asking to speak with the person in the district responsible for handling soft drink sales. These follow-up telephone calls resulted in either: a) non-response, b) completion of a telephone questionnaire, or c) a completed written questionnaire returned via fax.

Districts that indicated they had a district-wide contract were asked to provide a copy of the contract, under the California Public Records Act. The district-wide contracts were collected and given a letter code to ensure confidentiality. The district-wide contracts were examined by three reviewers for four types of provisions that could potentially impact children's health:

- Financial incentives that promote student soda consumption.
- Advertising and promotion of soda products.
- Limited school district control over beverage selection and sales locations.
- Contract administration by non-nutrition personnel.

Districts that reported only individual school-level soda sales were eliminated from the final analysis.

Figure 1 provides information on California's 25 largest school districts as of June 1, 2001. The districts are ranked in order from largest to smallest, followed by enrollment, county, and student eligibility for free/reduced price meals.

## **STUDY PARTICIPATION**

### **Response Rate**

Of the 25 California school districts contacted, 20 completed the questionnaire on soda sales for a response rate of 80 percent. Five school districts either declined to participate in the survey or provided incomplete information on soda sales to students. Five of the 20 responding districts indicated that they utilized district-wide beverage contracts to manage soda sales to students. All five of these district-wide contracts were obtained by the Public Health Institute as of June 1, 2001.

### **STUDY LIMITATIONS**

Because the districts in this report were not randomly selected from California's 1,054 school districts, the results cannot be extrapolated on a statistical basis to all districts in the state. However, the combined enrollment of the 25 districts represents approximately one-third of California's nearly 6 million students.

Information on soda sales was self-report and its accuracy is contingent on the respondent's knowledge of school-level and district-level practices. Self-report information was not independently verified.

The initial purpose of this survey was to examine the prevalence and specifics of district-wide beverage contracts. It was out of the scope of this survey to examine the specifics of contracting and/or sales practices managed by individual schools. Because school-level management of soda sales seems to be extremely common, further study is needed to fully understand the issue of soda sales to students.

### **STUDY FINDINGS**

According to completed questionnaires, soda is available to students in all of the responding school districts through district-level and school-level processes. In 15 cases, school districts delegate responsibility for soda availability to individual school site administrators. Five districts utilize district-wide contracts to manage soda sales to students.

Because of the high-profile nature of and the large dollar sums involved in district-wide contracts, this report looks closely at the five district-wide contracts and seeks to explain provisions that could have ramifications for children's health.

### **Financial Incentives That Promote Student Soda Consumption**

Two types of financial incentives existed in the examined contracts: 1) regular commissions, and 2) large bonus payments.

### ***Regular commissions***

Four of the district contracts in this study stipulate that the school district and the soda company share the revenue generated by soda sales. Because both school district and soda company income is tied directly to the volume of beverages sold on campus, the more beverages sold, the greater revenue for the district and the soda company.

The contract for District A details guidelines for the district's commission. Commissions are calculated on gross revenue minus the tax and California Redemption Value (CRV) received by the soda company. The soda company pays the district a 55 percent commission on 20 oz. products and a 56 percent commission on 12 oz. products that are sold through vending machines. District A is guaranteed an annual commission of \$300,000. The district can earn additional money through an incremental commission system. If sales exceed the minimum commission amounts set in the contract, the district can begin to accrue additional commission revenue. Commission amounts vary throughout the term of the contract.

The commission set for District B also is determined by the size of the beverage containers vended – 50 percent commission on all gross revenues less any tax or CRV for 12 oz. beverages and 20 oz. carbonated soft drinks and isotonic (sports) drinks and 55 percent commission for 20 oz. bottled water. Gross revenue is defined as vend price paid on all products sold through vending equipment on which the soda company receives revenues. District B is guaranteed a minimum annual commission of \$250,000.

District C has a commission provision in its contract but does not detail the specific commission rate in the contract.

District D receives a 39 percent commission on beverages sold with no annual guaranteed commission.

### ***Large bonus payments***

Some districts also receive bonus payments, referred to as “sponsorship fees,” “sponsorship cash,” “incentive monies” and “support funding,” that are not directly tied to sales volume. In some contracts, these payments secure exclusive advertising rights and/or marketing opportunities.

Bonus payments can occur as a one-time payment that is made upon the signing of the contract and as regular yearly payments. In the contracts examined, one-time payments ranged from \$55,000 - \$1,000,000 and yearly payments ranged from \$25,000 - \$80,000; generally, the

longer the contract duration, the larger the one-time payment. Also, districts that were given large one-time payments seemed to be guaranteed smaller yearly payments.

**Table 1 – Financial Incentives**

<b>Type of financial incentives:</b>	
Commission range	39-56 percent
Bonus payment range	\$25,000 - \$1,000,000

**Advertising and Promotion of Soda Products**

Although four of the five district-wide contracts are held by the same soda company, the contracts varied in terms of sales and advertising characteristics. The terms and conditions of each contract differed widely, reinforcing that these contracts are not governed by comprehensive statewide policies or by a general consensus among district administrators. This also indicates the degree of adaptation and flexibility that soda companies utilize in order to integrate into the school system. Each contract uses a different approach to position soft drinks on campuses, including elements of advertising and promotion.

Three of the district contracts grant exclusive advertising rights to the soda company. The fourth contract allows for non-exclusive marketing activities and the fifth contract does not stipulate advertising provisions. Forms of advertising ranged from trade-marked scoreboards and vending equipment to marketing support such as national promotions, software programs for student and administrative use, student awards, and free product donations. Other companies' signage and products were prohibited from some districts.

In District A, exclusive advertising rights extend to athletic concessions, booster club sales, and all other events held on district premises. These advertising rights also require that the company's advertising panels are clearly visible to the public on athletic field scoreboards, marquees, and in gymnasiums. This soda company will sponsor, fund, and provide annual marketing assistance to the school district, including product donations. All fountain cups used throughout the district premises (regardless of the product served in the cups) must be 100 percent trademarked for the company's products and must be purchased from the soda company. Scoreboards, side line and court side rights, signage, advertising, and products from competitive beverage companies are prohibited.

District B's contract provides for annual product marketing support, valued at a minimum of \$51,800 a year. This support includes one national promotion a year, coolers and a software

program at a limited number of schools. Additionally, an annual “Athlete of the Year” award for each school is provided as are product donations, and up to \$2,500 a year for recycling programs. The soda company has the exclusive right “to make beverages available for sale and distribution on campus including the rights to install and operate all equipment that dispenses beverages from any location, to offer fruit drinks, packaged waters and other products in the cafeteria lines of all schools, and to provide all beverages sold at athletic contests, booster club activities, and all other special events conducted at any location on the campus.” The contract for District B stipulates that “campus” refers to every school and facility owned or operated by the School District, now or in the future, including all elementary, middle, high and alternative schools, athletic facilities, and concession stands, and, for each building, the grounds, parking lots, dining facilities, athletic facilities and concession stands, food service outlets, and vending areas.”

District C’s contract does not describe the specific advertising opportunities but does give the soda company exclusive supply and advertising opportunities for all district sites, including athletic events held on home fields. It also allows for the distribution of promotional materials, such as pencils, book covers, mouse pads, planners, T-shirts, and basketballs, to students upon advance notice and approval of the district and gives the district annual scholarship tuition of \$6,000.

Marketing activities are not detailed in Contract D; rather, the soda company is requested to conduct \$5,000 in product marketing activities each year. Contract D also states that the district will recommend but not require its elementary and middle schools to participate in the contract as well.

**Table 2 – Required Advertising**

<b>Company products promoted on campus by:</b>
Free product donations
Software programs
Scoreboards and marquees
Branded fountain cups
Educational supplies
Student awards
Promotional events

### **Limited School District Control Over Product Selection And Sales Locations**

In order to meet the changing nutritional needs of children, it is essential that school districts maintain the flexibility to determine the types of foods and beverages sold at school. Given the length and binding nature of contracts, the balance of control between school districts and soda companies is essential. In several instances, the examined contracts stipulate that decisions, such as the types of products to be sold and their sales locations, must be agreed to by the soda company. Whereas, traditional vendor contracts allow school districts to independently determine the types of products they would like to sell and the locations where the products will be sold, three of the five district contracts require soda company participation in such decisions.

#### ***Vending machine placement***

Certain stipulations in the district beverage contracts indicate a strong interest on the part of both the soda company and the school district in the number and placement of vending machines on school campuses.

District A's contract contains stringent stipulations for the operation of vending machines. It specifies a minimum of one vending machine for every 150 students on a school campus, requires that no time restrictions be placed on vending machine operations and dictates that no less than 85 percent of vending items on campus must be 20 oz. products. In addition, the contract gives the soda company the right to relocate vending machines, if agreed to by the district, and provides for new vending and fountain machines to be added if the district adds buildings or facilities during the term of the contract.

In District B, the number and placement of vending machines is based upon the soda company's survey of the school district's needs and must be mutually agreed upon by the district and the soda company. The school district "shall not unreasonably withhold or impede machine placement." Changes in machine location and the addition of machines to new buildings and facilities are to be mutually agreed upon.

In District C, placement of the vending machines is coordinated through the Nutrition Services Department. Automatic timers are required on all vending machines to shut off and turn on all machines accessible to students in accordance with district policy and the National School Lunch Program guidelines which limit the sale of foods of minimal nutritional value during meal times. Additional machines can be placed in any buildings or facilities added by the district with the mutual agreement of the district and the soda company.

Contracts D and E do not contain any conditions for the addition, placement, or contents of vending machines – they are primarily service contracts for the vending and fountain machines already in place within these districts.

### ***Product selection***

The district beverage contracts examined in this report contain provisions that limit school district control over the beverages sold at school. The types of beverages sold (sports drinks, water, fruit-flavored drinks, 100% juice, and soft drinks), the respective amounts of each beverage sold and the sizes available are, in some cases, detailed in the contracts, binding school districts into agreements that directly affect student choice and nutrition.

In spite of the fact that four of the district contracts apply to products sold under the auspices of the districts' Nutrition Services program, only one of the contracts includes a nutrient analysis of the products available to students, and just two out of the five contracts mention compliance with National School Breakfast and Lunch Program regulations.

In District A, 85 percent of the vending machines must carry 20 ounce bottles and the product list provided as an attachment indicates that only soda, sports drinks, and water are available in the 20 ounce size. Other beverages, such as juice are available in sizes smaller than 20 ounce.

Although the contract for District B acknowledges federal school meal guidelines, the contract contains provisions that give the soda company a sizeable role in how the school district structures its beverage sales. For example, the contract clearly states that the soda company must agree to the product line available in the district. The contract also states that the soda company's products must be offered in cafeteria lines of all schools, including elementary schools, in compliance with the National School Breakfast and School Lunch programs. All school district athletic teams must use the soda company's sports drinks whenever sports drinks are offered at a sporting event. No competitive products can be served or sampled on school campuses.

The contract for District C provides for a larger measure of control by the district than either of the two contracts discussed previously. The product line is determined by the district, and district policies and regulations govern vending machine content.

### ***Duration, termination, and confidentiality clauses***

The contracts examined in this study varied in duration: two contracts were one year in duration, one contract was five years in duration, and two contracts were 10 years in duration.

Termination and confidentiality clauses also varied in the examined contracts. For example, Contract B allows the district to terminate the contract if the district determines that the sale and distribution of soft drinks in schools is “contrary to school district policy.” However, Contract A only allows the district to terminate the contract if the soda company “shall be in breach or default under any one or more of its material covenants or agreements” in the contract. Particularly in long-term contracts, a termination clause like that found in Contract A may lock school districts into commitments that they may in time come to view as undesirable.

Two contracts, both with the same soda company, contain a confidentiality clause that prohibits the school district from disclosing the terms and conditions of the agreement or any information respecting sales and revenues to third parties. Such provisions may inhibit districts from public discourse with parents and community members about the soda contracts and soda sales. Such provisions may run contrary to the obligations of school districts as public entities.

**Table 3 – School District Control**

<b>School district and soda companies mutually agree upon:</b>
Vending machine placement
Product selection
Contract termination
Contract provisions that can be shared with the public

**Administration Of Beverage Contracts By Non-Nutrition Personnel**

Administrative handling of beverage contracts varies from district to district. Of the five district contracts, two are administered by the Food Services Department, one is administered by Business Services, one by Fiscal Services, and one by the Director of External Programs. The only contract to stipulate nutrient analyses for beverages was a contract administered by food service. School districts seem to view soda contracts as business tools as opposed to segments of the child nutrition program. Because this study did not examine other types of food and beverage contracts, it is impossible to say whether other types of food contracts, such as those for fruits and vegetables, also are situated with school business offices. Further research is needed to determine if soda contracts are uniquely situated outside of the child nutrition program.

**Table 4 – Contract Administration**

<b>Soda contracts are administered by:</b>
Food service
Business services
External programs

## **CONCLUSION**

In examining the prevalence and particulars of contracts with soda companies among California’s 25 largest school districts, a picture of a complex and convoluted system emerges. The existence and laboriously detailed nature of district beverage contracts, in addition to the findings that soft drinks are readily available to students in California’s largest school districts, provide compelling evidence that beverage companies have mounted aggressive and largely successful efforts to establish and maintain a strong presence in California schools.

The vast majority of districts sell soda through an individual school-level process as opposed to a district-level process. Characterization of the status of district contracts on a statewide basis is difficult due to the high degree of specification in each district’s method of dealing with soft drink contracts. However, the contracts in this study provide a beginning look at beverage contract provisions that have ramifications for children’s health.

### **Financial Incentives that Promote Student Soda Consumption**

The commission system establishes a situation in which students and their families provide a significant portion of the money that the district receives. Districts gain financially when children spend money on soda company products at school. Districts receive only a fraction of the money children spend at school; soda companies receive the other fraction. Because commissions are in part based on minimum sales quotas, the system is inherently created to increase soda and beverage consumption at school. The contracts did not contain information about the cost children are charged for the products nor did the contracts provide a clear picture of the volume of beverages sold under the contracts. Without this information, it is difficult to understand how much money school districts make from beverage contracts and how much of that money is actually coming directly from the wallets of parents and students.

### **Advertising and Promotion of Soda Products**

This study provides preliminary information about how beverage companies have integrated into the educational system, using a variety of methods to adapt their marketing plans to increase children's exposure to company products. Soda contracts guarantee the pervasive presence of soda company products and logos at school. Contracts provide opportunities for children to purchase soda company products from vending machines, cafeteria lines, concession stands, and booster club events. Products are advertised with scoreboards, educational software, signage, clothing, school supplies, and promotional events. Districts receive marketing support from soda companies to enhance soda sales.

### **Limited School District Control over Product Selection and Sales Locations**

Although the contract negotiation process may allow school districts to exert some initial control over soda sales, school districts run the risk of ceding decision-making to the soda companies. Instead of maintaining autonomy, school districts must share decision-making with soda companies and must abide by confidentiality clauses that can limit public discourse about product sales and profitability. Because of the length of some contracts and their termination clauses, school districts may be prohibited from changing their beverage policy for up to a decade.

### **Administration of Beverage Contracts by Non-Nutrition Personnel**

Given that some school districts seem to view soda contracts as business tools as opposed to segments of the child nutrition program, the nutritional impact of soda on children may be lost. Non-nutrition personnel may not be aware of current health trends and recommendations and may make decisions that may seem fiscally smart, but fail to protect the health of children. Students' health status and its link to learning should play an important role in district decision-making about beverage sales.

## **RECOMMENDATIONS**

Based on the initial findings of this study, the following recommendations are made to ensure the health of students:

### **Financial Factors**

- Fund schools and student activities adequately so they do not have to rely on children's soft drink consumption to fund educational and extracurricular needs.
- Set lower prices for healthy beverages like 100 percent fruit juice, water, and low-fat milk.

- When fundraisers are utilized, ensure that the money provided by students, families, and community members overwhelmingly goes to the school. Minimize the amount given back to outside businesses and organizations.

### **Advertising and Promotion**

- Set school district policies that ensure students have more access to healthy beverages than to unhealthy ones.
- Eliminate school advertising and promotional events that promote unhealthy beverages.
- Educate school personnel and students that water provides adequate re-hydration for most student athletes.

### **School District Control**

- Establish autonomous school district control, not soda company control, over all aspects of beverage sales and advertising at school.
- Widely publicize and solicit public comment before entering into a beverage contract at individual schools and school districts.
- Eliminate confidentiality clauses that prohibit school districts from sharing with the general public all facts associated with their beverage contracts.
- Set contract provisions that allow for yearly, public review of the contract, including changes or cancellation of the contract to meet student health needs.

### **Beverage Contract Administration**

- Establish a committee of school personnel, students, parents, and community health professionals to evaluate and improve school district beverage policy.
- Administer beverage contracts as a part of the school district's overall child nutrition program.

### **Additional Research**

- Examine beverage contract practices at smaller school districts and at individual schools.
- Determine exactly how much money school districts make from beverage contracts and exactly how the money is utilized within the district.
- Determine if district-wide soda contracts, unlike other types of food and beverage contracts, are uniquely situated outside of child nutrition programs.

Figure 1. 25 largest California school districts

<b>Rank by Size</b> As of June 2001	<b>School District</b>	<b>County</b>	<b>District Enrollment</b>	<b>2000/01 Free/Reduced Price Meal Eligibility</b>
1	Los Angeles Unified	Los Angeles	710,007	74 %
2	San Diego City Unified	San Diego	140,743	47 %
3 *	Long Beach Unified	Los Angeles	91,465	68 %
4	Fresno Unified	Fresno	78,766	73 %
5	San Francisco Unified	San Francisco	60,896	41 %
6	Santa Ana Unified	Orange	58,043	70 %
7	Oakland Unified	Alameda	55,051	54 %
8	Sacramento City Unified	Sacramento	51,898	63 %
9 *	San Bernardino City Unified	San Bernardino	50,340	75 %
10 **	San Juan Unified	Sacramento	48,052	29 %
11	Garden Grove Unified	Orange	48,031	58 %
12	Elk Grove Unified	Sacramento	45,094	38 %

\* = school district for which a contract was examined.

\*\* = school district eliminated from report due to non-response, incomplete information.

**Figure 1.** Continued.

13 *	Capistrano Unified	Orange	43,648	16 %
14	Riverside Unified	Riverside	37,597	47 %
15	Stockton City Unified	San Joaquin	36,771	67 %
16 **	Mt. Diablo Unified	Contra Costa	36,436	24 %
17	Fontana Unified	San Bernardino	35,644	75 %
18 **	Corona-Norco Unified	Riverside	35,148	40 %
19	Saddleback Valley Unified	Orange	34,657	10 %
20 **	Montebello Unified	Los Angeles	34,256	74 %
21	West Contra Costa Unified	Contra Costa	34,214	50 %
22 *	Sweetwater Union High	San Diego	34,010	50 %
23	Pomona Unified	Los Angeles	33,617	74 %
24 *	San José Unified	Santa Clara	33,035	37 %
25 **	Poway Unified	San Diego	32,536	10 %
<b>Total enrollment in 25 largest CA school districts: 1,899,955</b> <i>Percent of total CA student population (5,952,240 students): 31.92%</i>				

\* = school district for which a contract was examined.

\*\* = school district eliminated from report due to non-response, incomplete information.

## **References**

1. *Public Education: Commercial Activities in Schools*. United States General Accounting Office. September 2000.
2. Costante, CC. Healthy learners: the link between health and student achievement. *American School Board Journal*, January 2002.
3. Convertino, VA, Armstrong, LE, Coyle, EF, et al. Position Stand: Exercise and fluid replacement. *Medicine Science Sports Exercise* 1996 28(1):i- vii.
4. Jacobson, MF. Liquid candy: how soft drinks are harming Americans' health. <http://www.cspinet.org>
5. Ludwig, DS, Peterson, KE, Gortmaker, S. Relationship between consumption of sugar-sweetened drinks and childhood obesity: a prospective, observational analysis. *Lancet* 2001 357: 505-508.
6. *Soft Drinks and School-Age Children: Trends, Effects, Solutions*. North Carolina School Nutrition Action Committee: North Carolina Department of Public Instruction, North Carolina Department of Health and Human Services, North Carolina Cooperative Extension Service. September 2001.
7. *Report supports American Dental Association's stance on certain school soft drink contracts*. American Dental Association. <http://www.ada.org>
8. Martineau, P. Public anger stalls Pepsi deal. *Sacramento Bee*, June 29, 2000.
9. Morita, JK. Group tries to head off schools' cola contract. *Sacramento Bee*, December 14, 2000.
10. Rosynsky, PT. Oakland pop deal fizzles. *Oakland Tribune*, November 21, 2000.
11. California Senate Bill 19 by Sen. Martha Escutia. <http://www.leginfo.ca.gov>

---

i

ii