

# Operating Ratios

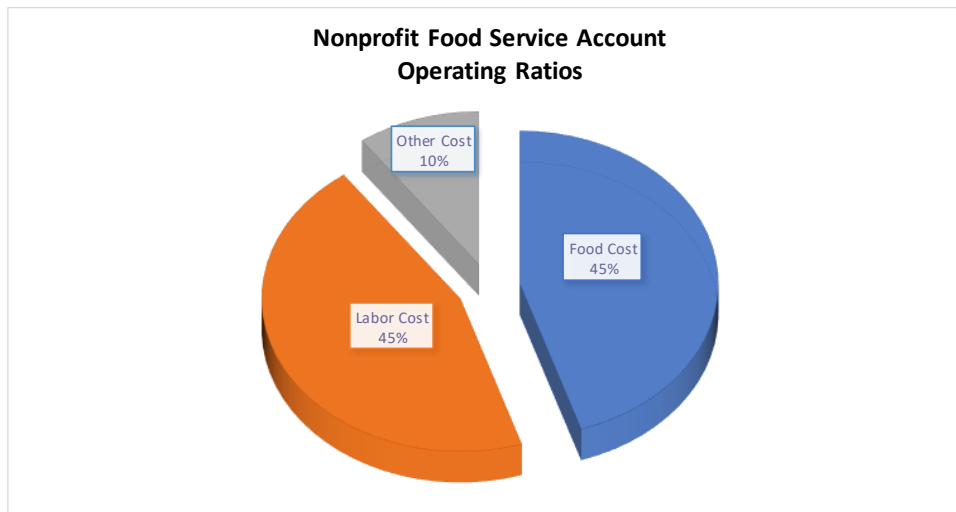
## School Nutrition – Financial Management

### Operating Ratios

While there are no research-based industry standards, generally accepted guidelines suggest that no more than 80-85 percent of the school nutrition program revenue should be spent on food and labor. This may vary from district to district. However, it is a good benchmark when beginning an analysis of your program.

Operating ratios are expenditures as a percentage of revenue. Key performance indicators (KPIs) for School Nutrition (SN) programs are:

- Food cost 40-45%** purchased food, USDA Foods, processing fees
  - Labor cost 40-45%** salary/wages, benefits, substitute pay and benefits, contractual work
  - Other cost 10-20%** chemicals, paper, supplies, indirect costs
- 100%**



Food Cost Percentage →  $\frac{\text{Total Food Cost (purchased food + beginning inventory) - ending inventory}}{\text{Total revenue}}$

Labor Cost Percentage →  $\frac{\text{Total Labor Cost (wages + benefits)}}{\text{Total revenue}}$

### WHERE CAN I LEARN MORE?

Visit the School Nutrition [Manage Program Finance](#) webpage.  
[Institute of Child Nutrition - Key Performance Indicators](#)

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