

# Operating Ratios

## School Nutrition – Financial Management

### Operating Ratios

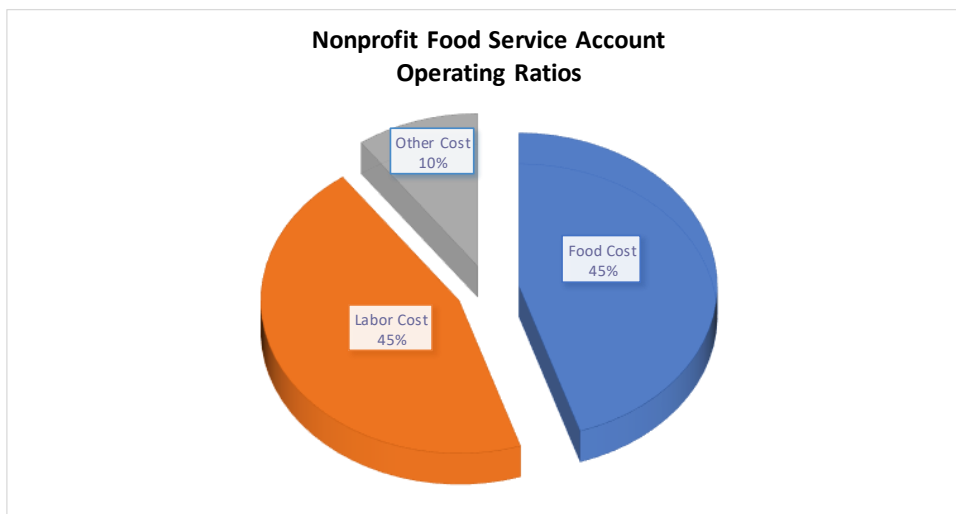
While there are no research-based industry standards, generally accepted guidelines suggest that no more than 80-85 percent of the school nutrition program revenue should be spent on food and labor. This may vary from district to district. However, it is a good benchmark when beginning an analysis of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