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Schools Get Big Bucks in Soda Deals

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Anne Ryman

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For years, Arizona's cash-strapped schools have helped fund student activities by raising tens of thousands of dollars a year through contracts with soft-drink companies.

For Coca-Cola and Pepsi, having their vending machines in schools has been an opportunity to build brand loyalty in customers. And the money they pay to have their machines on campus has helped buy extras that students may not have had otherwise: scoreboards, field trips, athletic trophies.

But the soft-drink deals trouble some parents, nutritionists and even some school officials, who say easy access to high-sugar drinks contributes to bad eating habits and obesity in children.

Arizona is studying whether to join cities like Los Angeles and New York in banning soft-drink sales, along with other junk food, or whether it should come up with a compromise that would allow sales with restrictions.

Ban to be tested

The Arizona Department of Education this month plans to select eight Arizona schools to test a ban of soft drinks and other foods of "minimal nutritional value."

If such a ban were to become law, schools say they may have to cut back on extras or do labor-intensive fund-raising such as carwashes or selling more magazines or gift wrap.

In some cases, it's a lot of money to make up.

- Paradise Valley Unified School District expects to make \$2.6 million over five years with an exclusive contract with Coca-Cola. This revenue includes not only soft drinks but also bottled water, fruit juices and sports drinks.
- Peoria Unified School District schools will make an estimated \$1.3 million over five years with Pepsi and Coca-Cola.
- Schools in the Mesa Unified School District have agreements with Coca-Cola worth \$393,122 a year.
- Chandler Unified School District just signed a five-year contract with Pepsi that gives the district a sponsorship fee of \$164,000 the first year and \$103,000 a year in subsequent years, commissions on every beverage sold and rebates on every case.

"We look at it as an opportunity for making up some of our lost funding that the Legislature hasn't provided us," said Sandy Wilkins, the Peoria district's administrator for budget and finance.

Soft-drink deals

Public school districts have been cutting deals with beverage companies for at least 50 years. They are part of the larger movement of private enterprise into what had once been the restricted space of public schools, where food once came only from the government and any kind of advertising was frowned upon.

When a district or school agrees to have soft-drink vending machines, the beverage company gives the schools a percentage of the sales. Typically, a school gets 50 to 55 percent of every drink sold. But contracts can vary widely. Schools also may get a certain amount of guaranteed funding each year plus rebates for every case sold.

Since 2000, two of the largest school districts in the state, Paradise Valley and Peoria, have negotiated exclusive contracts on a districtwide basis. Paradise Valley Assistant Superintendent Jim DiCello and Purchasing Director Michael Greene said they read about how struggling school districts in Colorado negotiated lucrative contracts with soft-drink companies.

Arizona faced a similar situation with expenses rising every year and state and federal funding falling short of costs.

"Around the nation, there isn't a whole lot of people who are willing to come in and put money toward education. This is one way to get it," DiCello said.

Peoria schools switched to districtwide contracts in 2001 because some of its schools were getting better deals than others, sometimes from the same vendors.

In other districts, such as Mesa, Scottsdale, Glendale Union and Phoenix Union, schools negotiate their own contracts. In Glendale, for instance, contracts with Pepsi guarantee at least \$32,000 to \$50,000 a year, depending on the high school.

Although no state law dictates how districts spend soft-drink profits, the consensus among school district officials is that the money go to student activities. They don't use profits for payroll, buses or debts.

Sunrise Middle School in the Paradise Valley District bought a scoreboard for the gym and plans to buy a piano.

"Those are big-ticket items that we don't necessarily have the money for," Principal Greg Martin said.

Debbie Lupnacca, 39, of Phoenix, whose daughter attends Acacia School in the Washington Elementary District, said eliminating soft drinks would hurt evening fundraisers such as bingo nights where soft drinks are sold as refreshment.

Pros, cons of sales

Soft-drink companies want to be in schools to build brand loyalty at an early age, said Randy Sparks, associate professor of marketing at the University of Dayton's School of Business Administration in Ohio. Each child represents tens of thousands of dollars in potential money over that person's lifetime. And it is easier to build habits in children than adults.

Sparks does not fault school districts for signing the contracts. He said they are reacting no differently than the corner grocery store by asking for up-front fees and commissions.

However, critics say schools are selling out. Alex Molnar, an Arizona State University professor who studies commercialism in schools, calls soft-drink sales "dirty money" because a school's financial gain comes at a cost to student health.

School officials argue that they are benefiting from demand because many students drink soft drinks anyway.

If soft drinks were not sold in the 11-campus Phoenix Union High School District, officials estimate the schools would lose \$125,000 a year, about half of their beverage revenue.

At South Mountain High School in Phoenix, the \$26,530 in proceeds goes toward the school yearbook and trophies for athletes and student clubs, among other school activities. If soft-drink sales stopped, "we would just not get the revenue that we get right now," school Athletic Director Bob Estrada said. It would require other fund-raising.

Estrada said a typical carwash on a Saturday clears about \$200 for eight hours of work.

And although the soft-drink contracts sound like a lot of money, they are a small piece of overall school budgets. Beverage sales brought in about \$245,000 last year to the Paradise Valley District, a fraction of its \$155 million budget.

Soft-drink companies are well aware of legislative pressure to curtail sales on campus. They also have made changes to try to respond to criticism. Soft drinks can be part of a balanced lifestyle, said Jim Finkelstein, executive vice president of the National Soft Drink Association, a Washington, D.C.-based trade group.

"We're not arguing you should consume volumes of soft drinks," he said.

In November, Coca-Cola published new guidelines for its relationships with schools. Company officials discourage selling soft drinks to elementary students during the day, and they encourage schools to offer water, sports drinks and fruit juice in their vending machines. Pepsi also has guidelines. It does not sell soft drinks to elementary students and discourages large up-front payments to schools.

Companies point out that not all students are choosing soft drinks out of the vending machines. Soft drinks accounted for 51 percent of beverage sales at schools in the Paradise Valley District in 2002. Water, sports drinks, juices and iced tea made up remaining sales.

"I'd rather get a Powerade than a Coke," said Melissa Montoya, 14, an eighth-grader at Desert Shadows Middle School.

Restrictions proposed

Arizona's eight-school pilot project will involve four high schools and four elementary schools chosen by the state Department of Education. The State Board of Education will vote on the project this month and, if approved, the conversion will take place in August.

"There's a lot of scientific evidence that sugar is very bad for you," said Arizona Superintendent of Public Instruction Tom Horne, who supports the project. "There's got to be better ways for schools to make money than push sugar on kids."

Horne was a member of the Paradise Valley School Board when it voted unanimously in 2000 on an exclusive contract with Coca-Cola. Horne said he does not recall the contract.

Parents are not showing up in droves at school board meetings and demanding that soft drinks be removed from schools.

But there does seem to be a growing awareness of the nutritional value of what is

served on campus.

Two-thirds of Arizona adults surveyed in October said they opposed soft-drink sales in public schools, according to a survey of 610 people by Northern Arizona University's Social Research Laboratory.

One of those is Stephen Hatcher, 47, of Cave Creek. "As an adult, you have a responsibility that goes beyond the dollar," he said. "These are children. I think they sold out the children."

Soft-drink company officials said the decision to serve soft drinks is best made at the local level, without state mandates.

The soft-drink industry has maintained that inactivity is the biggest contributor to childhood obesity, not soft drinks.

As far as concerns over obesity, "focusing on one product is not going to solve the problem," said Toney Anaya, vice president of public affairs for Coca-Cola Enterprises Bottling Cos.

The American Dietetic Association has maintained that having soft drinks at school may compromise nutrition.

Some schools are moving away from soft drinks. Horizon High School in Phoenix is phasing them out because Principal Anthony Capuano wants students to have healthier choices.

Michael Newell, a student at Desert Shadows Middle School in the Paradise Valley District, likes having a choice. The eighth-grader sometimes buys a Coke as he hops onto his skateboard and leaves school.

"It's not like it's hurting anyone," the 14-year-old said. "It helps the school, and the kids get what they want."