

Date of Hearing: April 30, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 936 (Lee) – As Introduced February 19, 2025

Policy Committee: Human Services

Vote: 7 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill renames and makes permanent the California Fruit and Vegetable Electronic Benefit Transfer (EBT) Pilot Project and requires the California Department of Social Services (CDSS) to allocate funds to authorized retailers according to a specified framework.

Specifically, this bill:

- 1) Renames the California Fruit and Vegetable EBT Pilot Project as the CalFresh Fruit and Vegetable Supplemental Benefits Program, and deletes the January 1, 2027, sunset date.
- 2) Requires CDSS to provide grants to support the supplemental benefits mechanism in existing retail settings.
- 3) Strikes the requirement that a minimum of three grants be awarded to nonprofit organizations or government agencies and, instead, allows any number of grants to be awarded.
- 4) Strikes the requirement that at least one of the grants provide the ability to test the supplemental benefit mechanism at farmers' markets, and strikes related provisions.
- 5) Strikes provisions related to data collection for purposes of evaluating the pilot project.
- 6) Requires CDSS, when grantees propose adding additional retail locations into the program, to prioritize those retail locations that offer a broad variety, and high quality, of fresh fruits and vegetables, serve geographically and culturally diverse areas and high-CalFresh-use areas, among other criteria, as specified.
- 7) Specifies a funding allocation framework for authorized retailers and requires CDSS, upon appropriation by the Legislature, to allocate funds according to that framework, including funds sufficient to cover CDSS' and grantee administrative costs and "baseline funding" sufficient to cover the cost of anticipated benefits for 12 months, as specified. The remaining funds must be allocated between small and large retailers, ensuring small retailers can access the program.
- 8) Allows CDSS, notwithstanding item 7, above, to relocate funds if CDSS determines there is a lack of acceptable applications for a particular category of authorized retailers, as specified.
- 9) Requires CDSS to quarterly publish, on its internet website, data on program utilization, as specified.

- 10) Requires CDSS to evaluate the pilot projects that operated between February 1, 2023, and January 31, 2025, and make recommendations to further refine and expand the supplemental benefits mechanism.

FISCAL EFFECT:

This bill would result in ongoing General Fund (GF) costs pressures, likely in the high-hundreds of millions of dollars annually, depending on program participation, to provide baseline funding sufficient to cover program benefits for 12 months, provide for associated administrative costs for both CDSS and grantees, and to make necessary automation changes.

This estimate is based on the following:

- 1) The bill specifies, after providing for administrative costs, any appropriation by the Legislature for the purpose of this program must provide sufficient funding to cover 12 months of benefits at all participating authorized retailers. Most recently under the pilot program, the total monthly cost was approximately \$3.3 million for 67,000 CalFresh households, supporting 116,000 individuals. Statewide, about 5.4 million individuals receive CalFresh benefits. For context, if one million households received the supplemental benefit under this bill's program, benefit costs would be nearly \$600 million annually.
- 2) The bill specifies that both CDSS and grantee admin costs must be covered first upon any appropriation by the Legislature for the purpose of this program. CDSS estimates the following administrative costs:
 - a) Ongoing GF costs to CDSS, potentially in the low billions annually to expand the pilot framework to support the full CalFresh caseload. CDSS indicates a full expansion would likely require a new business unit to support what is essentially a new program. Ongoing tasks would include program budget and contract oversight; project management; monitoring and tracking contracts and grant applications; coordinating technical assistance, guidance, training and support for grantees; and engaging retailers and stakeholders. These costs will depend on the extent of the program expansion.
 - b) Ongoing GF costs of at least \$600,000 to \$700,000 annually, to support grantee contracts. These costs could be higher, depending on the number of additional retailer participants.
- 3) CDSS estimates one-time GF automation costs in the range of \$5 million to \$10 million in the first year, and \$700,000 to 800,000 annually ongoing. These costs include adding the benefit into CDSS's automated systems; integrating files and reports into the California Statewide Automated Welfare System (CalSAWS) interfaces; and providing retail certification, among other tasks. CDSS indicates this would be added as a new program with its own issuance and reconciliation processes.

The author has submitted a one-time \$63 million budget request to allow the program to operate for 12 months and serve 111,000 households each month.

COMMENTS:

- 1) **Purpose.** According to the author:

There's nothing more essential in people's lives than fresh, nutritious food. But millions of Californians are struggling to afford healthy meals. The CalFresh Fruit and Vegetable EBT Pilot Project has been highly effective in helping families stretch their food dollars, and I will keep fighting to scale this program up and down the state.

This bill will transition the pilot into a permanent statewide program, with the goal of expanding the program to more retail locations and serving more CalFresh households.

- 2) **California Fruit and Vegetable EBT Pilot Project.** In 2018, the California Fruit and Vegetable EBT Pilot Project was established through AB 1811 (Committee on Budget), Chapter 35, Statutes of 2018, to develop and refine a scalable model aimed at boosting the purchase and consumption of fresh fruits and vegetables grown in California by providing additional benefits to CalFresh beneficiaries. The pilot required CDSS, in collaboration with CalFresh administrators, and the California Department of Food and Agriculture (CDFA) to integrate a supplementary benefits mechanism into the EBT system, enabling authorized retailers to distribute and redeem these benefits. The pilot provided households with up to \$60 per month in additional food assistance when they bought fresh fruits and vegetables with their CalFresh benefits.

Additionally, the program required CDSS to evaluate the pilot, make recommendations to the Legislature to further refine the supplementary benefits mechanism, and submit a report to the Legislature by January 1, 2022. However, due to disruptions caused by the COVID-19 pandemic, the implementation of the pilot was delayed until 2023. Accordingly, CDSS's reporting deadlines were also delayed. Current law requires CDSS to evaluate the pilot program's effectiveness and provide a scoping plan to transition the pilot to a permanent program, and report findings to the Legislature by July 1, 2025.

The Budget Act of 2023 allotted \$9.9 million in one-time funding for the pilot. The Budget Act also extended the sunset date of the pilot from January 1, 2024, to January 1, 2027. Despite this extension, funds were fully utilized by April 2024, causing the program to pause. Another \$10 million was allocated in the Budget Act of 2024, allowing it to restart in October 2024, but those funds ran out by January 31, 2025. The Governor's 2025-26 budget does not propose additional funding for the pilot.

In the pilot's final full month of operation, statewide, 92 grocery stores and one farmers market participated, and more than 67,000 CalFresh households across 42 counties received \$3.3 million in fruit and vegetable rebates.

Advocates argue that the start-and-stop nature of the program undermines its effectiveness, creating instability for CalFresh families relying on these benefits, increased administrative burden on CDSS and reduced retailer participation, making it harder to sustain the program long-term. This bill makes the program permanent and requires a 12-month allocation of baseline funds.