

Date of Hearing: April 23, 2024

ASSEMBLY COMMITTEE ON HUMAN SERVICES

Alex Lee, Chair

AB 3229 (Lee) – As Amended April 17, 2024

SUBJECT: California Fruit and Vegetable EBT Pilot Project: report

SUMMARY: Revises and combines reporting deadlines for two Legislative reports on the California Fruit and Vegetable EBT Pilot Project. Specifically, **this bill:**

- 1) Strikes the requirement that, nine months after the California Department of Social Services (CDSS) has received sufficient data to evaluate the pilot projects, but not later than September 1, 2025, CDSS submits a report to the Legislature that includes the results of the required evaluation.
- 2) Strikes the requirement that CDSS submit a report to the Legislature by March 1, 2026, and instead, requires CDSS to provide information on the timing and steps that would be necessary to transition the California Fruit and Vegetable EBT Pilot Project to a supplemental benefits program that is fully state managed, without grantee intermediaries.
- 3) Requires the information to be submitted in 2) above to include both of the following:
 - a) The results of the evaluation enumerated in existing law; and,
 - b) Scoping the staff or other resources and timeline for specified information.
- 4) Requires CDSS to submit a report to the Legislature by January 1, 2025, on the evaluation of the pilot projects and recommendations to further refine and expand the supplemental benefits mechanism, as well as on the timing and steps that would be necessary to transition the California Fruit and Vegetable EBT Pilot Project to a supplemental benefits program that is fully state managed, without grantee intermediaries.

EXISTING LAW:

State law:

- 1) Establishes the California Department of Food and Agriculture (CDFA) to promote and protect the agricultural industry of the state, enhance, protect, and perpetuate the ability of the private sector to produce food in a way that benefits the general welfare and the economy of the state, and seek to maintain the economic well-being of agriculturally dependent rural communities in the state. (Food and Agriculture Code § 101 *et seq.*)
- 2) Makes legislative findings and declarations related to the importance of flea markets, farmers' markets, and certified farmers' markets and their goal of providing low-cost produce for Californians needing food assistance. (Welfare and Institutions Code [WIC] § 10072.1)
- 3) Establishes the CalFresh program for the administration of federal Supplemental Nutrition Assistance Program (SNAP) benefits to eligible individuals. Provides program requirements and eligibility, as specified. (WIC § 18900 *et seq.*)

- 4) Establishes the Electronic Benefit Transfer (EBT) Act and defines the EBT system as the program designed to provide benefits to those eligible to receive public assistance benefits such as the California Work Opportunity and Responsibility to Kids and CalFresh programs. (WIC § 10065 *et seq.*)
- 5) Makes legislative findings and declarations related to EBT, including that one of the primary goals of EBT is to reduce the cost of delivering benefits to recipients, to ensure that all systems within California are compatible, and to afford public social services recipients the opportunity to better and more securely manage their financial affairs. (WIC § 10065(b))
- 6) Establishes the California Fruit and Vegetable EBT Pilot Project, requiring CDSS, in consultation with CDFR, county CalFresh administrators, and stakeholders, to include within the EBT system a supplemental benefits mechanism that allows an authorized retailer to deliver and redeem supplemental benefits, which must be compatible with operational procedures at farmers' markets with centralized point-of-sale (POS) terminals and at grocery stores with integrated POS terminals, as specified. (WIC § 10072.3(c))
- 7) Defines the following terms:
 - a) “Authorized pilot retailer” to mean any retail establishment that is authorized to accept CalFresh benefits, including, but not limited to, grocery stores, corner stores, farmer’s markets, farm stands, and mobile markets;
 - b) “Fresh fruits and vegetables” to mean any variety of whole or cut fruits and vegetables without added sugars, fats, oils, or salt and that have not been processed with heat, drying, canning, or freezing; and,
 - c) “Supplemental benefits” to mean any additional funds delivered to a CalFresh recipient’s EBT cards upon purchase of fresh fruits and vegetables using CalFresh benefits, and to be redeemed only for purchases allowed under the CalFresh program at an authorized retailer. (WIC § 10072.3(a))
- 8) Requires CDSS to provide grants for pilot projects to implement and test the supplemental benefits mechanism in existing retail settings. Provides that the goal of the pilot project is to develop and refine a scalable model for increasing the purchase and consumption of fresh fruits and vegetables by delivering to retailers of various types, sizes, and locations in the future. (WIC § 10072.3(e))
- 9) Requires CDSS to evaluate the pilot projects and make recommendations to further refine and expand the supplemental benefits mechanism, as well as for further modifications that would make the mechanism easier for CalFresh recipients to use, for a variety of authorized retailer types to adopt, and for CDSS to administer. Requires the evaluation to examine the efficacy of supplemental benefits accrual, delivery, and redemption from the perspective of CalFresh recipients, participating retailers, and state administrators. (WIC § 10072.3(f)(1))
- 10) Requires, nine months after CDSS has received sufficient data to evaluate the pilot projects, but no later than September 1, 2025, CDSS to submit a report to the Legislature that includes the results of the evaluation required in 9) above. (WIC § 10072.3(f)(2))

- 11) Requires CDSS to submit a report to the Legislature by March 1, 2026, on the timing and steps that would be necessary to transition the California Fruit and Vegetable Pilot Project to a supplemental benefits program that is fully state-managed, without grantee intermediaries. (WIC § 10072.3(f)(3)(A))
- 12) Requires the report in 11) above to include, but not be limited to, scoping the staff or other resources and timelines for all of the following:
 - a) Engaging with and enrolling interested retailers directly on an ongoing basis, if the state makes additional funding for further expansion;
 - b) The staffing and technical resources needed by the Office of Technology and Solutions Integration to certify new retailers' EBT systems when they are onboarded into the program;
 - c) Resources needed to align the EBT system and the California Statewide Automated Welfare System (CalSAWS) to fully automate financial reconciliation of fruit and vegetable supplemental benefits as the program expands; and,
 - d) Expansion to include online CalFresh transactions and grocery delivery services. (WIC § 10072.3(3)(B))

Federal law:

- 13) Establishes SNAP, pursuant to the Food Stamps Act of 1964, to provide benefits to families and individuals meeting specified criteria. (7 United States Code § 2011 *et seq.*)

FISCAL EFFECT: Unknown, this bill has not been analyzed by a fiscal committee.

COMMENTS:

Background: *Food Insecurity.* The U.S. Department of Agriculture (USDA) defines “food insecurity” as the occasional or constant lack of access to the food that one needs in order to live a healthy, active life. It is considered a household-level economic and social condition while hunger is the individual-level physiological condition that may result from food insecurity. While California declared food as a human right in 2023 and produces nearly half of the nation’s fruits and vegetables, about 8 million Californians currently struggle with food insecurity, representing 20.3% of the state’s population. Factors contributing to food insecurity include economic disparities, high living costs, limited access to affordable nutritious options, and systemic barriers such as racism and discrimination.

Economic factors play a significant role in driving food insecurity, particularly among low-income households. Many Californians struggle to afford basic necessities like housing, healthcare, and transportation, leaving little room in their budgets for nutritious food. High living costs, especially in urban areas like Los Angeles and San Francisco, further exacerbate this challenge, pushing individuals and families into situations where they must choose between paying for rent, or putting food on the table.

Limited access to affordable and nutritious food options, commonly referred to as food deserts, is another critical aspect of food insecurity in California. In rural areas, residents may have to travel

long distances to reach grocery stores or farmers' markets, while in urban neighborhoods, access to fresh produce and healthy food choices may be scarce. Transportation barriers, inadequate public transportation, and the prevalence of fast food restaurants and convenience stores offering unhealthy, processed foods compound the lack of access to healthy food. The USDA defines "limited access" as living more than a mile from a large grocery store for urban communities and more than 10 miles for rural areas. In 2016, the California Endowment's *FreshWorks Food Access Report* stated that "nearly one million Californians, 45% of whom are low-income, live without access to nearby supermarkets or large grocery stores."

Moreover, systemic issues such as racism and discrimination disproportionately impact marginalized communities, including Black, Latinx, and Indigenous populations, immigrants, and individuals with disabilities, exacerbating their vulnerability to food insecurity. Data from the United States Census Bureau's Household Pulse Survey shows that by March 2022, food insecurity for households with children in California was at 25.8%, with deep disparities for Black and Latinx households at 28.7% and 31.2%, respectively.

Beyond mere hunger, a lack of adequate food can have long-term physical and mental health consequences, particularly for children. Chronic diseases such as diabetes, obesity, and cardiovascular conditions are more prevalent among food-insecure individuals due to poor nutrition and limited access to healthcare. Children growing up in food-insecure households are at risk of developmental delays, academic struggles, and long-term health consequences, perpetuating intergenerational cycles of poverty and food insecurity.

CalFresh. SNAP is the largest federal nutrition assistance program designed to provide nutrition assistance to low-income families and individuals in the United States (U.S.). Administered by CDSS, CalFresh is California's version of SNAP, which provides monthly benefits to help eligible households purchase nutritious food items. A CalFresh household is a group of people who live together, buy food and prepare meals together, meet CalFresh eligibility requirements, and are approved for CalFresh benefits. Participants receive benefits on EBT cards, which can be used to purchase eligible food items such as fruits and vegetables, meat, dairy products, and seeds and plants that produce food at authorized retailers, including grocery stores, supermarkets, and farmers' markets.

The USDA sets specific eligibility requirements for SNAP programs across the country, including gross and net income, household size, assets, and certain expenses. Eligible households must have gross incomes at or below 200% of the federal poverty level, although specific income limits may vary depending on household composition. Households with a member 60 years of age or older or who has a disability are not subject to gross income criteria, and instead, would need to meet the net income limit after allowable deductions for that household size. If all members of the households are receiving some type of cash assistance, then the household may be categorically eligible, regardless of its gross or net income, which means that the applicant is automatically eligible for CalFresh because they qualify for a program that has similar requirements. CalFresh eligibility and enrollment is tracked by CalSAWS.

Effective October 1, 2023, through September 30, 2024, the maximum annual gross income for a household size of three is \$49,728. Starting in 2019-20, individuals 65 years of age and older became newly eligible to receive CalFresh benefits as a way to increase enrollment among Supplemental Security Income/State Supplementary Payment recipients. CalFresh benefits are calculated based on household size, income, and deductible living expenses, with maximum

benefit levels adjusted annually based on changes in cost of living. According to the Legislative Analyst's Office, about 5.1 million Californians received a total of \$14.5 billion in CalFresh benefits, all of it federally funded, for an average monthly benefit of about \$185 per recipient in 2022-23.

CalFresh & Farmers' Markets. Amid California's ongoing efforts to enhance access to nutritional benefits, one standout initiative has been the integration of EBT systems at farmers' markets. When CalFresh recipients seek to utilize their benefits at farmers' markets for purchasing fresh fruits and vegetables, these markets adopt a centralized POS approach. This method enables individuals to obtain scrip or vouchers from the market, which can then be used to purchase food items from vendors. CalFresh beneficiaries redeem these vouchers for fresh produce at the authorized market, while farmers receive reimbursements equivalent to the voucher's dollar value for the items sold.

Furthermore, select certified farmers' markets extend an additional incentive known as Market Match, supported by federal funding. This program effectively doubles the value of CalFresh purchases for individuals at participating farmers' markets. For each dollar spent using CalFresh scrip, customers receive an additional Market Match dollar, exclusively redeemable for fruits and vegetables. In 2023, CalFresh customers benefited from a matching fund totaling \$19.4 million, significantly bolstering accessibility to nutritious food during a period marked by heightened food insecurity. An estimated 38.8 million servings of fresh fruits and vegetables were purchased through Market Match.

CalFresh 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 CDFSA to integrate a supplementary benefits mechanism into the EBT system, enabling authorized retailers to distribute and redeem these 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 the significant disruptions caused by the COVID-19 pandemic, the implementation of the pilot experienced considerable delays. Consequently, the pilot did not go live until 2023, which provided households with up to \$60 per month in additional food assistance when they bought fresh fruits and vegetables with their CalFresh benefits. Given the delayed implementation of the pilot, AB 120 (Committee on Budget), Chapter 43, Statutes of 2023, extended the deadline for CDSS to submit a report, including the results of the evaluation of the pilot projects from January 1, 2022, to September 1, 2025. While legislators sought over hundreds of millions of dollars over the past couple of years to support the pilot, the Budget Act of 2023 only 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, CDSS revealed during an Assembly Committee on Budget hearing that the pilot was due to end on April 14, 2024, due to money running out.

The pilot integrated into the state's existing EBT system, making it seamless for recipients to receive their benefits. For every \$1 of CalFresh EBT spent on any fresh fruits and vegetables at a participating retailer, CalFresh recipients got \$1 back on their EBT card to spend on any

CalFresh EBT-eligible food. As of February 2024, the pilot operated at 87 grocery stores and three farmers' markets across the state. The pilot also provided \$1.9 million in rebates for fruits and vegetables to 43,000 households spread across 44 counties, comprising an estimated 75,000 individuals who were able to afford more fresh fruits and vegetables.

Research has long shown that existing, similar programs – including Double Up Food Bucks, Más Fresco, Market Match, and others – reduce hunger, improve health, and increase revenue for agricultural communities. The USDA has also demonstrated that each dollar in federally funded CalFresh benefits generates \$1.79 in economic activity. Additionally, every \$1 billion in benefits leads to the creation of over 10,000 jobs across various sectors, including farm labor, transportation, and retail. This means that the state could potentially receive \$1.8 billion annually in federally funded food benefits, resulting in over \$3.3 billion in total annual economic activity.

On the flip side, hunger costs the U.S. economy at least \$77.5 billion in healthcare costs every year through higher rates of chronic disease, higher utilization of health and mental healthcare services, more frequent and high-cost hospitalizations, and more frequent use of nursing homes. Research has demonstrated a reduction in healthcare costs of \$1,400 per person per year among low-income adults who also receive SNAP benefits, a finding that indicates state Medicaid programs could see significant savings from increased SNAP participation.

This bill aims to advance the reporting deadline from March 1, 2026, to January 1, 2025, for transitioning the pilot to a state-managed supplemental benefits program as a result of the pilot ending mid-April of this year, which gives CDSS eight months to complete the report. This bill also seeks to advance the evaluation report deadline from September 1, 2025, to January 1, 2025, overall combining both reports to be due simultaneously.

Author's Statement: According to the Author, “The CalFresh and Vegetable Electronic Benefit Transfer (EBT) Pilot Project has benefited tens of thousands of Californians, making healthy foods more affordable for low-income families. But, the program has come to an end far sooner than expected given the lack of funding, leaving CalFresh families with less money to put food on their tables.

“The CalFresh Fruit and Vegetable EBT Pilot Project aims to provide food security, nutrition, and the health of CalFresh recipients. It provides up to \$60 in nutrition incentives when CalFresh households purchase produce with their CalFresh benefits, serving as a critical source of supplemental benefits for families. In an effort to revive the EBT Pilot Project, this bill will advance the deadline for the report that CDSS is required to submit to the Legislature on the timing and steps to transition this pilot into a permanent program that is fully state-managed, as well as the evaluation report.”

Equity Implications: Lack of access to healthy foods disproportionately impacts vulnerable communities, particularly among low-income individuals, pregnant women, households with children, Black and Latinx populations, immigrants, people who are disabled, and the elderly who often face greater food hardship.

According to an analysis conducted by the Center on Budget and Policy Priorities on the Census Bureau's Household Pulse Survey in 2021, 18 million adults said their household didn't get enough to eat sometimes or often in the last seven days. Additionally, 40% of Black households and 30% of Latinx households reported being food insecure in California. In Los Angeles County alone, 23% of Asian American, Native Hawaiian, and other Pacific Islander residents

live in food-insecure households. Furthermore, a staggering 92% of Native American households suffer from food insecurity, according to a study of four tribes across Northern California. These stark disparities in food access is largely a result of systemic injustices, including “supermarket redlining” where land-use policies have facilitated the development of larger supermarkets in predominately wealthy and suburban neighborhoods and away from low-income neighborhoods, leading to food deserts.

Overall, this bill attempts to address inequities in food access experienced by vulnerable populations by requiring an earlier reporting requirement to transition the pilot to a permanent program and an earlier reporting requirement for the evaluation of the pilot projects. By advancing the deadlines of both reports, this bill could expand the availability of supplemental benefits for CalFresh recipients from 44 counties to all 56 counties.

RELATED AND PRIOR LEGISLATION:

AB 1961 (Wicks) of the current legislative session, subject to appropriation from the Legislature, requires the Strategic Growth Council, in consultation with specified agencies, to convene the End Hunger in California Master Plan Task Force to develop strategies for ensuring access to healthy and culturally relevant food for all Californians. *AB 1961 is pending before the Assembly Agriculture Committee and set for a hearing on April 24, 2024.*

SB 628 (Hurtado), Chapter 879, Statutes of 2023, declared that it is the established policy of the state that every human being has the right to access sufficient, affordable, and healthy food and required all relevant state agencies to consider this policy when revising, adopting, or establishing policies, regulations, and grant criteria when those policies, regulations, and criteria are pertinent to the distribution of sufficient affordable food.

AB 605 (Arambula) of 2023, would have established the California Fruit and Vegetable Supplemental Benefit Expansion Program and created the EBT Expansion Fund in the State Treasury; would have required CDSS to enroll authorized retailers to enable them to provide supplemental benefits to CalFresh recipients who purchase fresh fruits and vegetables, as specified. *AB 606 was held on the Assembly Appropriations Committee suspense file.*

AB 120 (Committee on Budget), Chapter 43, Statutes of 2023, see comments above.

AB 2153 (Arambula) of 2022, would have established the California Fruit and Vegetable Supplemental Benefits Expansion Program and was substantially similar to this bill. *AB 2153 was held on the Assembly Appropriations Committee suspense file.*

SB 907 (Pan), Chapter 605, Statutes of 2022, required CDSS and CDFA to establish a non-competitive grant program designed to expand the use of EBT acceptance systems at farmers' markets.

SB 108 (Hurtado) of 2021, would have declared that it is the established policy of the state that every human being has the right to access sufficient, affordable, and healthy food, and would have required state agencies to consider that policy as provided. *SB 108 was held on the Assembly Appropriations Committee suspense file.*

AB 534 (Mayes) of 2019, would have established the Envision a Hunger-Free California Act of 2019 and would have required CDSS, the California Department of Public Health (CDPH), the

California Department of Education (CDE), and CDFA to develop a plan to end hunger, which would have included the identification of barriers to food access. *AB 534 was held on the Assembly Appropriations Committee suspense file.*

AB 1952 (Mayes) of 2018, would have established the Envision a Hunger-Free California Act of 2018 by requiring CDSS, CDPH, CDE, and CDFA to develop a plan to end hunger. *AB 1952 was held on the Senate Appropriations Committee suspense file.*

AB 1811 (Committee on Budget), Chapter 35, Statutes of 2018, see comments above.

SB 900 (Wiener) of 2018, would have established the California Fruit and Vegetable EBT Pilot Project to include within the EBT system a mechanism that would have enabled an authorized retailer to deliver and redeem supplemental CalFresh benefits. *SB 918 was set to be heard by this committee but the hearing was cancelled by the author.*

REGISTERED SUPPORT / OPPOSITION:

Support

Nourish California (Co-Sponsor)
SPUR (Co-Sponsor)
CleanEarth4Kids.org
County of Santa Clara

Opposition

None on file.

Analysis Prepared by: Bri-Ann Hernández / HUM. S. / (916) 319-2089