

Date of Hearing: March 29, 2023

ASSEMBLY COMMITTEE ON AGRICULTURE
Robert Rivas, Chair
AB 605 (Arambula) – As Amended March 22, 2023

SUBJECT: California Fruit and Vegetable Supplemental Benefits Expansion Program

SUMMARY: Establishes the CalFresh Fruit and Vegetable Supplemental Benefit Expansion Program and creates the Electronic Benefits Transfer (EBT) Expansion Fund; additionally requires the California Department of Social Services (CDSS) to enroll authorized retailers to enable them to provide supplemental benefits to CalFresh recipients who purchase fresh fruits and vegetables, as specified. Specifically, *this bill*:

- 1) Makes legislative findings and declarations related to food insecurity in California.
- 2) Establishes the “CalFresh Fruit and Vegetable Supplemental Benefits Expansion Program” and requires CDSS to enroll authorized retailers into the program.
- 3) Defines the following:
 - a. “Authorized retailer” as any retail establishment that is authorized to accept CalFresh, including but not limited to grocery stores, corner stores, farmers' markets, farm stands, and mobile markets.
 - b. “Direct farm-to-consumer-outlet” to mean a certified farmers' market, farmers, community-supported agriculture (CSA), mobile markets, and farm stands that source directly from farmers. Further, includes an approved third-party EBT operator at any of the previously listed locations.
 - c. “Fresh fruit and vegetables” as a variety of whole or cut fruits and vegetables without added sugars, fats, oils, or salt and that has not been processed with heat, dye, canning, or freezing.
 - d. “Supplemental benefits” as additional funds delivered to a CalFresh recipient's EBT card upon purchase of California-grown fresh fruits and vegetables using CalFresh benefits and redeemed only for purchases allowed under the CalFresh program at an authorized retailer.
- 4) Establishes the “California Fruit and Vegetable EBT Expansion Fund” within the State Treasury, consisting of state, federal, public, and private sources.
- 5) Requires CDSS to enroll authorized retailers into the California Fruit and Vegetable Supplemental Benefit Expansion Program upon the deposit of sufficient money into the program fund within the State Treasury.
- 6) Establishes the “CalFresh Fruit and Vegetable Supplemental Benefits Expansion Program”.

- 7) Requires CDSS, in consultation with the California Department of Food and Agriculture (CDFA), to develop and adopt guidelines for enrolling authorized retailers, including the following:
 - a. A competitive application process for authorized retailers, as specified;
 - b. An application process that may be competitive at the department's discretion for additional authorized retailers, as specified; and,
 - c. At least two rounds of application solicitation.
- 8) Requires CDSS to enroll authorized retailers that reflect a diversity of sizes and types, including both grocery stores and direct farm-to-consumer authorized retailers as follows:
 - a. Requires that CDSS prioritize enrolling retailers to demonstrate that their participation will expand the geographic availability of supplemental benefits to communities and counties where benefits are currently unavailable.
 - b. Provides for authorized retailers that have more than 50 retail locations in California or that redeem more than \$50 million in CalFresh benefits annually across all locations, that both of the following must apply:
 - i. Of any appropriation by the Legislature, CDSS must initially allocate no more than \$40 million for authorized retailers; and,
 - ii. CDSS must provide grants to authorized retailers, as specified; to offset the cost of technological upgrades required to offer supplemental benefits.
 - c. Provides for authorized retailers that have 50 or fewer retail locations in California that redeem \$50 million or less in CalFresh benefits annually across all retail locations under common ownership in California, that both of the following must apply:
 - i. Of any appropriation by the Legislature for the purposes of this article, the department shall initially allocate no more than \$20 million dollars for authorized retailers.
 - ii. Provides that no more than \$1 million should be spent to provide funding for technological upgrades for authorized retailers.
 - d. Provides that a direct farmer-to-consumer outlet may only be eligible for enrollment if it sells California-grown fresh fruits and vegetables. Further, it allows CDSS to allocate no more than \$30 million for these authorized retailers.
- 9) Requires CDSS to ensure that authorized retailers who were enrolled as a result of the first round of application solicitation are distributing supplemental benefits no later than April 1, 2024.
- 10) Permits reallocation of funds to authorized retailers by CDSS, as specified.

- 11) Requires that CDSS provide supplemental benefits using the EBT system supplemental benefits mechanism to ensure all of the following:
 - a) Supplemental benefits can be transferrable across any authorized retailer;
 - b) Supplemental benefits can be accrued, tracked, and redeemed by CalFresh recipients in a seamless, integrated process through the EBT system;
 - c) Supplemental benefits can only be accrued by CalFresh recipients through the purchase of California-grown fresh fruits and vegetables from an authorized retailer;
 - d) Supplemental benefits can only be redeemed to make eligible purchases under the CalFresh program from an authorized retailer;
 - e) The supplemental benefits mechanism complies with all applicable state and federal laws governing procedures to ensure privacy and confidentiality;
 - f) Allows retailers that use EBT-only point-of-sale terminals, such as farmers' markets, and those that use integrated point-of-sale terminals, such as grocery stores, shall be able to integrate the new supplemental benefits mechanism into their existing systems, including the free state-issued hardware provided to certified farmers' markets and farmers;
 - g) The supplemental benefits mechanism provides CalFresh benefits to supplemental benefits match ratio of at least 1:1;
 - h) A CalFresh household may only accrue up to a limited amount of supplemental benefits, as determined by the department; and,
 - i) Requires no expiration date for the use of supplemental benefits, but the benefits may be expunged, as specified.
- 12) Requires CDSS to contract with one or more vendors to develop at least two technology solutions, as specified, that allow authorized retailers to accept EBT CalFresh benefits and offer supplemental benefits wirelessly. Further, requires the development of this technology in consultation with CDSS, CDFA's Office of Farm to Fork, and stakeholders, as specified.
- 13) Requires CDSS to develop marketing materials that authorized retailers and community groups can use for outreach efforts to promote supplemental benefits at no cost. Further, requires the material to contain information targeted to populations that receive a low amount of CalFresh benefits, as specified.
 - 14) Requires CDFA to develop a grant program to award funds to nonprofit organizations to recruit, train, and support authorized retailers participating in the CalFresh supplemental benefits program and allocates no more than \$1 million be for this purpose.
- 15) Requires CDSS to submit a report to the Legislature, as specified, with the initial progress two months after the first supplemental benefits are distributed through the program, or March 1, 2024, whichever comes first. Further, requires the report to include recommendations on

whether the technology used can support additional expansion and whether any aspects of the program design need changes as part of the program expansion.

- 16) Stipulates that if CDSS fails to submit the required report, if the report includes a recommendation to stop further expansion of the program or if supplemental benefits are not distributed as required by the program, the remaining unencumbered funds in the State Treasury Fund shall revert to the General Fund.
- 17) Requires CDSS to publish data on program utilization quarterly, as specified, beginning three months after an authorized retailer first provides supplemental benefits.
- 18) Requires CDSS, as specified, to submit a report to the Legislature examining improvements in expanding access to supplemental benefits, implementing technological upgrades to provide supplemental benefits, communications and marketing regarding supplemental benefits, CalFresh participant experience accessing and using supplemental benefits, and retailer experience providing supplemental benefits.

EXISTING LAW:

- 1) Establishes the federal “Supplemental Nutrition Assistance Program” (SNAP) pursuant to the Food Stamps Act of 1964 to provide benefits to families and individuals meeting specified criteria. *7 United States Code Section [U.S.C.] 2011 et seq.*
- 2) Establishes the CalFresh program for the administration of federal SNAP benefits to eligible individuals. Provides program requirements and eligibility, as specified. *Welfare and Institutions Code Section [WIC] 18900 et seq*
- 3) Establishes the “EBT Act” and defines the EBT system as the program designed to provide benefits to those eligible to receive public assistance benefits such as CalWORKs and CalFresh. *WIC 10065 et seq*
- 4) Establishes 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 Section 100 et seq*
- 5) Establishes the “California Fruit and Vegetable EBT Pilot Project”, which includes 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*

FISCAL EFFECT: Unknown

COMMENTS: California produces nearly half of the nation’s fruits and vegetables, yet 1 in 5 currently struggle with food insecurity. The California Associations of Food Banks define "food insecurity" as the occasional or constant lack of access to the food one needs for a healthy, active life. Food security can be impacted by various factors, including access to local healthy foods, the price of food, and the ability to store and prepare food. Individuals who face food insecurity

are often forced to decide between nurturing their physical health and maintaining other aspects of their lives, leading to serious health effects.

In California, SNAP funds are administered through the CalFresh program. SNAP is the federal program that provides states funds to offer nutritional benefits to low-income individuals and families. The benefit is meant to assist with access to healthy and nutritious foods and is distributed through various sources, depending on the state. Formerly known as food stamps, the program provides specific eligibility requirements and funding to states, planning and implementing at the local level. In this state, CalFresh is under the purview of CDSS and facilitated through the county human services agencies. The EBT system automates the delivery, redemption, and reconciliation of multiple types of public assistance benefits, including CalFresh, CalWORKs, and General Assistance.

As California continues to seek flexibilities and implement policy changes to increase access to nutritional benefits, one of the most successful projects has been EBT utilization at farmers' markets. When individuals wish to use CalFresh benefits at a farmers' market to purchase fresh fruits and vegetables. Additionally, some certified farmers' markets offer Market Match, which doubles the value of an individual's CalFresh purchases at participating farmers' markets. In 2020, CalFresh customers utilized a match of \$13,836 of funds—providing expanded access in a time of increased food insecurity.

In 2018, the California Fruit and Vegetable EBT Pilot Program was established to develop and refine a scalable model for increasing the purchase of California-grown fresh fruits and vegetables to CalFresh recipients. The pilot requires CDSS, in partnership with CalFresh, OSI, and CDFR, to include within the EBT system a supplemental benefits mechanism that allows an authorized retailer to deliver and redeem supplemental benefits. The program also required CDSS to evaluate the pilot, make recommendations to the Legislature to further refine the supplemental benefits mechanism, and submit a report to the Legislature no later than January 1, 2022. The Coronavirus pandemic caused a delay in implementation and delayed the report.

According to the author, "This bill will bolster households' food budgets and help make California-grown fresh fruits and vegetables more affordable for Californians with low incomes. [This bill] would expand the availability and diversity of retail locations where CalFresh participants earn fruit and vegetable supplemental benefits, thereby helping reduce hunger, improving health, and supporting the state's agricultural economy."

Supporters state that expanding California Fruit and Vegetable Supplemental Benefits to be available to hundreds of thousands of households across the state will, in the short-term, help families afford the foods they need to stay healthy and help alleviate the economic strain farmers are currently facing. In the long-term, it will position the program to become permanently available to CalFresh families throughout California. [This bill] is a "win-win-win" that reduces hunger, improves public health, and boosts California's agricultural economy.

The Ecology Center, who has a support if amended position, recommends request the following amendments to further help market match for direct farm to consumer operations:

- 1) Build-in 2:1 matching (spent \$1 get \$2) at direct farm-to-consumer outlets to leverage the additional benefits to our economy and local food system when shopping at farmers' markets and other farm-direct outlets.

- 2) Include operational costs for the central-point-of-sale model used at farmers' markets, especially ones with high volume CalFresh-use so that they may continue to offer incentives to CalFresh shoppers.
- 3) Ensure farmers' markets and other farm-direct outlets are given more than 6 months to enroll and ramp up this program before funding is reallocated to other retailer types.

RELATED AND PRIOR LEGISLATION:

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, requires CDSS and CDFA to establish a non-competitive grant program designed to expand the use of EBT acceptance systems at farmers' markets.

AB 534 (Mayes) of 2019 would have established the "Envision a Hunger-Free California Act of 2019" and would have required CDSS, 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, created the "California Fruit and Vegetable EBT Pilot Project" to increase the purchase and consumption of California-grown fruits and vegetables that are financially out-of-reach for low-income residents.

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 the Assembly Human Services Committee but the hearing was cancelled at the request of the author.

SB 675 (Skinner) of 2017 would have required the EBT system to only permit online purchase of food from retailers that comply with various specified requirements and the EBT system to prohibit payment of delivery fees for online food purchases using CalFresh benefits. SB 675 died on the Assembly Inactive File.

AB 1321 (Ting), Chapter 442, Statutes of 2015, established the Nutrition Incentive Matching Grant (NIMG) Program to scale up Market Match programs would create an incentive for more families to utilize their SNAP benefits and ensure more Californians can afford to eat what is grown locally.

REGISTERED SUPPORT / OPPOSITION:

Support

Nourish California (Co-Sponsor)
Spur (Co-Sponsor)
Alameda County Community Food Bank
American Heart Association
California Association of Food Banks
California Catholic Conference
California Farm Bureau Federation
California Fresh Fruit Association
California Grocers Association
California Retailers Association
Coalition of California Welfare Rights Organizations
Community Action Partnership of Orange County
Compass Family Services
Food Bank of Contra Costa & Solano
Food for People, the Food Bank for Humboldt County
Glide
Hunger Action Los Angeles INC
LA Raza Community Resource Center
Long Beach Alliance for Food and Fitness
Los Angeles Regional Food Bank
Open Heart Kitchen
San Diego Hunger Coalition
Second Harvest Food Bank of Orange County
Second Harvest of Silicon Valley
SLO Food Bank
Western Center on Law & Poverty

Support If Amended

Agricultural Institute of Marin
Ecology Center, Berkeley

Opposition

None on file

Analysis Prepared by: Victor Francovich / AGRI. / (916) 319-2084