



March 30, 2022

The Honorable Nancy Skinner
Chair, Senate Budget Committee
California State Senate
Sacramento, CA 95814

The Honorable Phil Ting
Chair, Assembly Budget Committee
California State Assembly
Sacramento, CA 95814

The Honorable Susan Talamantes Eggman
Chair, Senate Budget Subcommittee 3
California State Senate
Sacramento, CA 95814

The Honorable Dr. Joaquin Arambula
Chair, Assembly Budget Subcommittee 1
California State Assembly
Sacramento, CA 95814

Re: Expanding CA Fruit and Vegetable Supplemental Benefits in 2022-23 Budget

Dear Budget Leaders:

On behalf of SPUR and Nourish California, we respectfully request that the 2022-2023 budget include additional funding to substantially expand the California Fruit and Vegetable EBT Pilot. This program's goal is to support Californians with low-income participating in the CalFresh program afford healthy food while simultaneously supporting California farmers. Research shows that existing programs that are similar – including Double Up Food Bucks, Más Fresco, Market Match, and others – reduce hunger, improve health, and increase revenue for agricultural communities. To increase this program's impact during this time of acute need, we request a one-time allocation of \$245 million to be spent over 2 years.

The funds would be used by the state to:

- 1) Expand the program to provide greater geographic equity by being available at 3-5 large grocery chains with broad geographic reach in California, so families and older adults enrolled in CalFresh can access supplemental benefits at hundreds of stores across the state.

We expect this expansion, which would involve major retailers who would expand the pilot from operating in a few counties to the vast majority of counties in the state, to provide tens of millions of dollars annually to hundreds of thousands of CalFresh participants when they purchase California-grown fresh fruits and vegetables. The bulk of the budget funds would be distributed through this retail channel. For example, we estimate that CalFresh families could



earn \$30-60 million per year in supplemental benefits at the stores of one of California's largest grocery chains.

- 2) Expand the program to be available at additional smaller independently owned and operated grocery stores and chains

The current pilot includes four grocery chains comprising nearly 90 stores. Additional funding would allow more grocery stores and small chains that serve specific neighborhoods or regions of California to participate in the program, broadening the program's geographic reach. Like with the initial pilot, these funds would also support subsidizing technology upgrades so stores of this smaller size can offer supplemental benefits while making it easier for other stores/chains using the same cash register systems to do so in the future.

- 3) Expand the program to be available at more farmers' markets and other farm-direct sites

Certified California farmers markets currently provide more supplemental benefits to CalFresh participants than any other retail type and there is room for further expansion. The pilot currently being implemented includes 7 farmers markets spread across multiple regions of the state. This funding would allow more markets, as well as other farm-direct retailers like farm stands, mobile farmers' markets, and Community Supported Agriculture (CSA) programs, to offer supplemental benefits and also provide existing markets with a technology that reduces administrative overhead, making the program more efficient. Expansion would reach thousands of CalFresh participants while providing significant benefits to farmers who sell direct-to-consumer, which research has shown has the greatest economic multiplier for rural communities.

- 4) Contract with one or more firms to develop at least two technology solutions to make it easier for farmers markets and corner stores to offer supplemental benefits

Massachusetts, which was the first state to integrate supplemental benefits into their EBT system, has an app for mobile phones and tablets that allows vendors to process EBT supplemental benefit transactions directly, reducing the need for using a token or scrip system at farmers' markets. CalFresh households would be able to access supplemental benefits at more small retailers – whether farmer-vendors, small corner stores, or country store operators – if a similar option was available in California.



5) Support program administration by the California Department of Social Services as well as program integrity and technical support through the California Department of Food and Agriculture

Because CA Fruit and Vegetable Supplemental Benefits are distributed through the state's EBT system, the program has a tremendous economy of scale and administrative efficiency. We anticipate staffing and support costs at the agencies, including grants for groups to provide retailers with technical assistance, not to exceed more than a couple million dollars annually and we have begun conversations with both agencies to discuss required funding and refine this estimate. This translates to nearly all the requested funds of the full budget request going directly to CalFresh households when they buy California-grown produce at retailers across the state.

It is critical that the 2022-2023 budget include augmentation funding so we can continue the program's momentum, avoid creating uncertainty for retail partners, and also avert a potential financial cliff. Under the current pilot timeline, CalFresh customers will begin to see supplemental benefits in September 2022. Providing expanded funding in FY 2022-2023 will allow CDSS to soon thereafter on-board additional retailers so that by the FY 2023-2024 budget cycle we will have substantial data to estimate the full cost of making this program available statewide. Moving forward with expansion quickly will also help us meet the tremendous need Californians with low income are facing.

We are confident the first round of the EBT pilot will, once launched, achieve its goal of delivering supplemental benefits available in a way that is simpler for customers, easier for retailers, and more efficient for program administrators – paving the way for the expansion this funding would support. We believe it is prudent to include a requirement that CDSS provide an initial progress report within 2 months after the program's "go-live" date. That progress report – which we expect will confirm the pilot technology is working as intended – will trigger the release of the expansion funds. Should the Department, for any reason, fail to implement the project in a timely manner and deliver this initial progress report to the legislature by March 1, 2023 – this budget allocation would be voided and the funds will revert to the general fund.

As the state continues to weather the COVID pandemic and our current drought, California families are struggling with far too much hunger and inequitable access to healthy food while California farmers are struggling with stiff economic headwinds. Expanding CA Fruit and Vegetable Supplemental Benefits to be available to millions of Californians across the state will, in the short-term, help alleviate these struggles and, in the long-term, position the program to become permanently available to CalFresh families throughout California. We ask that you



provide \$245 million in the budget to expand the CA Fruit and Vegetable EBT Pilot Project over two years as a timely investment in reducing hunger, improving health, and supporting our agricultural economy.

If you have any questions please contact Jared Call at Nourish California, jared@nourishca.org and Eli Zigas at SPUR, ezigas@spur.org.

Sincerely,

Jared Call
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Nourish California (Cosponsor)

Eli Zigas
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