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AB-936 CalFresh Fruit and Vegetable Supplemental Benefits Program. (2025-2026)

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CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 936

Introduced by Assembly Member Lee

February 19, 2025

An act to amend Section 10072.3 of the Welfare and Institutions Code, relating to CalFresh.

LEGISLATIVE COUNSEL'S DIGEST

AB 936, as introduced, Lee. CalFresh Fruit and Vegetable Supplemental Benefits Program.

Existing federal law establishes the federal Supplemental Nutrition Assistance Program (SNAP), known in California as CalFresh, under which supplemental nutrition assistance benefits allocated to the state by the federal government are distributed to eligible individuals by each county. Existing law establishes a statewide electronic benefits transfer (EBT) system, administered by the State Department of Social Services, for the purpose of providing financial and food assistance benefits, including CalFresh benefits. Existing law establishes the California Fruit and Vegetable EBT Pilot Project, and requires the department, in consultation with the Department of Food and Agriculture and specified stakeholders, to include within the EBT system a supplemental benefits mechanism that allows an authorized retailer to deliver and redeem supplemental benefits. Existing law repeals the pilot project on January 1, 2027.

This bill would rename the pilot project as the CalFresh Fruit and Vegetable Supplemental Benefits Program, and would delete the repeal of these provisions, thereby making the program operative indefinitely. The bill would also specify how the department is required to allocate the funding provided for the program, and would require the department to quarterly publish certain data on program utilization on its internet website.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 10072.3 of the Welfare and Institutions Code is amended to read:

10072.3. (a) This section shall be known, and may be cited, as the ~~California~~ *CalFresh* Fruit and Vegetable ~~EBT Pilot Project~~ *Supplemental Benefits Program*.

(b) For purposes of this section, the following definitions apply:

- (1) "Authorized-~~pilot~~ retailer" means any retail establishment that is authorized to accept CalFresh benefits, including, but not limited to, grocery stores, corner stores, farmers' markets, farm stands, and mobile markets.
- (2) "Fresh fruits and vegetables" means 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.
- (3) "Supplemental benefits" means additional funds delivered to a CalFresh recipient's EBT card 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.

(c) The department, in consultation with the Department of Food and Agriculture, county CalFresh administrators, and stakeholders with experience operating CalFresh nutrition incentive programs, shall include within the EBT system a supplemental benefits mechanism that allows an authorized-~~pilot~~ retailer to deliver and redeem supplemental benefits. The supplemental benefits mechanism shall be compatible with operational procedures at farmers' markets with centralized point-of-sale terminals and at grocery stores with integrated point-of-sale terminals. The supplemental benefits mechanism shall ensure all of the following:

- (1) Supplemental benefits can be transferable across any CalFresh program authorized retailer.
- (2) Supplemental benefits can be accrued, tracked, and redeemed by CalFresh recipients in a seamless, integrated process through the EBT system.
- (3) Supplemental benefits can only be accrued by CalFresh recipients through the purchase of fresh fruits and vegetables from an authorized-~~pilot~~ retailer.
- (4) Supplemental benefits can only be redeemed to make eligible purchases under the CalFresh program from an authorized retailer.
- (5) The supplemental benefits mechanism complies with all applicable state and federal laws governing procedures to ensure privacy and confidentiality.
- (6) Authorized-~~pilot~~ 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.
- (7) The supplemental benefits mechanism provides a CalFresh benefits to supplemental benefits match ratio of at least 1:1.
- (8) A CalFresh household may only accrue up to a limited amount of supplemental benefits, as determined by the department.
- (9) There shall be no expiration date for use of supplemental benefits, but the benefits may be expunged in accordance with federal Supplemental Nutrition Assistance Program (SNAP) regulations.

(d) There is hereby created in the State Treasury the ~~California~~ **CalFresh** Fruit and Vegetable EBT Grant Fund. The fund shall consist of moneys from state, federal, and other public and private sources to provide grants pursuant to subdivision (e).

(e) Upon the deposit of sufficient moneys into the ~~California~~ **CalFresh** Fruit and Vegetable EBT Grant Fund, as determined by the department, and upon the appropriation of moneys from the fund by the Legislature for this purpose, the department shall provide grants ~~for pilot projects to implement and test~~ **to support** the supplemental benefits mechanism in existing retail settings. The goal of the ~~pilot project program~~ is to develop and refine a scalable model for increasing the purchase and consumption of fresh fruits and vegetables by delivering supplemental benefits to CalFresh recipients in a way that can be easily adopted by authorized retailers of various types, sizes, and locations in the future. The department, in consultation with the Department of Food and Agriculture, shall develop and adopt guidelines for awarding the grants, which shall include, at a minimum, all of the following requirements:

- (1) ~~(A) A minimum of three grants~~ **Grants** shall be awarded to nonprofit organizations or government agencies.

~~(B) At least one of the grants shall provide the ability to test the supplemental benefit mechanism at farmers' markets. A farmers' market that operates a centralized point-of-sale terminal and a scrip system and that also participates as a pilot project pursuant to this section may disburse scrips for supplemental benefits and for fresh fruits and vegetables concurrently.~~

- (2) Selection criteria shall require that grant applicants demonstrate all of the following:

(A) Previous experience and effectiveness in administering CalFresh nutrition incentive programs, or similar supplemental benefits programs.

(B) Partnership commitment from at least one existing authorized retailer that already accepts CalFresh benefits and sells fresh fruits and vegetables.

(C) Ability to ensure that supplemental benefits are only accrued and delivered when purchasing fresh fruits and vegetables with CalFresh benefits and will be used only to make purchases authorized under the CalFresh program.

(D) Status as a nonprofit organization or government agency.

~~(E) Ability to provide the minimum data deemed necessary for the department to successfully evaluate the pilot project, as described in paragraph (1) of subdivision (f).~~

~~(F)~~

(E) Any other criteria that the department deems necessary for successful ~~pilot project~~ *program* implementation, such as the level of need in the community, the size of the CalFresh population, and the need for geographic diversity.

(3) Grantees shall be responsible for all of the following:

(A) Securing the commitment of at least one authorized retailer willing to participate in the ~~pilot project~~ *program*.

(B) Conducting community outreach.

~~(C) Providing evaluation data to the department.~~

~~(D)~~

(C) Ensuring the integrity of the ~~pilot project~~ *program* following guidelines adopted by the department pursuant to this subdivision.

(4) When grantees propose adding additional retail locations into the program, the department shall prioritize those retail locations that meet one or more of the following criteria:

(A) Offer a broad variety, and high quality, of fresh fruits and vegetables.

(B) Increase the geographic diversity of the program's reach.

(C) Attract high numbers of CalFresh customers in their area.

(D) Are operated by an authorized retailer who already is offering the program at some other locations.

(E) Ability of the retailer to offer the program quickly.

(F) The inclusion of the retailer will lay the foundation, through technology development, for future expansion within the retail chain or for future expansion with similar retailers who use identical technology.

(G) Increase the diversity of retailers to better reflect the cultural diversity of produce preferences among California's population.

(f) (1) Of any appropriation by the Legislature for purposes of this section, the department shall allocate funds as follows:

(A) First, a level of funding sufficient to cover the department's anticipated administrative costs and anticipated grantee administrative costs.

(B) Second, a level of funding sufficient to cover the cost of the anticipated supplemental benefits that will be earned by CalFresh beneficiaries over the course of a full 12 months at all previously participating authorized retailers, assuming those retailers choose to continue to participate in the program. This shall be known as the "baseline funding."

(C) Third, for any remaining funding in excess of the baseline funding, the department shall allocate the funds as follows:

(i) (I) At least 50 percent to cover the cost of the anticipated supplemental benefits that would be earned by CalFresh beneficiaries shopping at authorized retailers that have 50 or fewer retail locations in California, including all retail locations under common ownership, and that redeem fifty million dollars (\$50,000,000) or less in CalFresh benefits annually across all retail locations under common ownership in California.

(II) The department may authorize a grantee to use funding to offset the cost of technological upgrades required to offer supplemental benefits for authorized retailers described in this clause. The total amount of funding grantees may receive to support authorized retailer technological upgrades in a fiscal year pursuant to this clause shall not exceed one million dollars (\$1,000,000).

(ii) (I) The remaining amount after allocation pursuant to clause (i) to cover the cost of the anticipated supplemental benefits that would be earned by CalFresh beneficiaries shopping at authorized retailers that have more than 50 retail locations in California, including all retail locations under common ownership, or that redeem more than fifty million dollars (\$50,000,000) in CalFresh benefits annually across all retail locations under common ownership in California.

(II) The department shall not provide grants to grantees to support authorized retailers described in this clause to offset the cost of technological upgrades required to offer supplemental benefits.

(2) Notwithstanding paragraph (1), the department may reallocate funds initially allocated in paragraph (1) if the department determines that there is a lack of acceptable applications for a particular category of authorized retailers and there is unlikely to be sufficient acceptable applications for a particular category of authorized retailers in a subsequent round of applications. If the department reallocates funds pursuant to this subdivision, the department shall seek to maximize the number of retail locations offering supplemental benefits or the number of CalFresh recipients who would have access to supplemental benefits.

(g) The department shall quarterly publish, on its internet website, data on program utilization, including, but not limited to, the number of CalFresh households and individuals who have received supplemental benefits, the average amount of supplemental benefits earned by each CalFresh household each month, and the amount of supplemental benefits earned at each category of authorized retailers.

~~(f)~~

(h) (1) The department shall evaluate the pilot projects ~~that operated pursuant to this section between February 1, 2023, and January 31, 2025,~~ and make recommendations to further refine and expand the supplemental benefits mechanism. These recommendations shall also include a strategy for CalFresh client education, developed in consultation with county CalFresh administrators and advocates. The evaluation shall examine the efficacy of supplemental benefits accrual, delivery, and redemption from the perspective of CalFresh recipients, participating retailers, and state administrators. The evaluation shall also provide recommendations 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 the department to administer. The department may contract with an independent evaluator to conduct this evaluation.

*(2) (A) The department shall provide information on the timing and steps that would be necessary to transition the ~~California Fruit and Vegetable EBT Pilot Project~~ *pilot project* to a supplemental benefits program that is fully state managed, without grantee intermediaries.*

(B) The information to be submitted under this paragraph shall include both of the following:

(i) The results of the evaluation required pursuant to paragraph (1).

(ii) Scoping the staff or other resources and timelines for all of the following:

(I) Engaging with and enrolling interested retailers directly on an ongoing basis, if the state makes additional funding available for further expansion.

(II) 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.

(III) 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.

(IV) Expansion to include online CalFresh transactions and grocery delivery services.

(3) (A) By July 1, 2025, the department shall submit a report to the Legislature on the topics described by paragraphs (1) and (2).

(B) The report submitted pursuant to subparagraph (A) shall be submitted in compliance with Section 9795 of the Government Code.

~~(g)~~

(i) Notwithstanding any other law, all of the following apply for the purposes of this section:

(1) Contracts or grants awarded pursuant to this section shall be exempt from the personal services contracting requirements of Article 4 (commencing with Section 19130) of Chapter 5 of Part 2 of Division 5 of Title 2 of the Government Code.

(2) Contracts or grants awarded pursuant to this section are exempt from the Public Contract Code and the State Contracting Manual, and are not subject to the approval of the Department of General Services or the Department of Technology.

(3) The state is immune from any liability resulting from the implementation of this section.

(4) Notwithstanding the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), the department may implement, interpret, or make specific this section without taking any regulatory action.

~~(h)~~

(j) Notwithstanding Sections 18927 and 11004, the supplemental benefits described in this section are not subject to recovery for an overissuance caused by intentional program violation, fraud, inadvertent household error, or administrative error, and are not subject to review under Section 10950.

~~(i)~~

(k) The supplemental benefits described in this section are not entitlement benefits, and the department shall provide those benefits pursuant to this section only to the extent that funding is appropriated in the annual Budget Act for purposes of this section.

~~(j)~~

~~(k) This section shall remain in effect only until January 1, 2027, and as of that date is repealed.~~

(l) The department shall seek any necessary federal approvals to ~~establish this pilot project.~~ *maintain this program.*