

February 15, 2023

Honorable Nancy Skinner, Chair
Joint Legislative Budget Committee
Senate Budget and Fiscal Review
Committee

Honorable Phil Ting, Chair
Assembly Budget Committee

Honorable Anthony Portantino, Chair
Senate Appropriations Committee

Honorable Chris R. Holden, Chair
Assembly Appropriations Committee

Section 28.00—Local Food for Schools Cooperative Agreement Program

Pursuant to the provisions of Section 28.00, Budget Act of 2022, the following report is respectfully submitted.

The Department of Finance has received the attached Section 28.00 application from the California Department of Education (CDE) for \$23,072,000 one-time federal Local Food for Schools Cooperative Agreement Grant (LFS) funding to ease supply chain disruptions for school nutrition programs by expanding local and regional markets and building a fair, resilient, and competitive local food system around schools. Funding will be distributed by formula to school food authorities (SFAs) using October 2021 enrollment as the benchmark. Participating SFAs will be required to submit quarterly reports on direct purchases made using LFS funds.

The CDE received official notification of the availability of additional, unanticipated funds on October 11, 2022 and notified Finance within 45 days of this date.

This request meets the following criteria, as required in subdivision (b) of Section 28.00:

- The funds will be distributed to SFAs participating in the National School Lunch Program or School Breakfast Program for the purchase, storage, and distribution of unprocessed or minimally processed food, with an emphasis on purchasing from historically underserved producers and processors in local and regional markets. The CDE is working with the Department of Food and Agriculture's Farm-to-School program to assist SFAs with connecting to eligible farmers, ranchers, and producers who meet the small and/or socially disadvantaged goal criteria of this cooperative agreement.
- The funds are made available to the state under conditions permitting their use only for the specified purpose, and the additional expenditure proposed would apply to this specified funding purpose.
- Acceptance of the additional funding does not impose on the state any requirement to commit or expend new state funds for any program or purpose.

- The need exists to expend the additional funding during the current fiscal year in order to ensure adequate time for funding to be allocated to participating schools for expenditure in the first year of the two-year grant. The CDE anticipates having one opt-in period, after which school boards must approve receipt of funds. Funding will then be distributed in two allocations to comply with federal regulations, with a deadline for SFAs to liquidate funding and CDE to submit a final report of March 31, 2024. Additionally, strengthening local purchasing relationships will improve SFAs' ability to respond to continuing supply chain issues.

Finance concurs with the necessity of this change to the approved budget, and request that the 30-day notification period be waived to ensure SFAs are able to expend the full amount of funding given the federal requirement to distribute funding in two allocations.

If you have any questions or need additional information regarding this matter, please call Melissa Ng, Principal Program Budget Analyst, at (916) 445-0328.

JOE STEPHENSHAW

Director

By:



ERIKA LI

Chief Deputy Director

Attachment

cc: On following page

cc: Honorable Kevin McCarty, Chair, Assembly Budget Subcommittee No. 2
Honorable John Laird, Chair, Senate Budget and Fiscal Review Subcommittee No. 1
Honorable Jim Nielsen, Vice Chair, Senate Budget and Fiscal Review Committee
Honorable Vince Fong, Vice Chair, Assembly Budget Committee
Gabriel Petek, Legislative Analyst (3)
Elisa Wynne, Staff Director, Senate Budget and Fiscal Review Committee
Kirk Feely, Fiscal Director, Senate Republican Fiscal Office
Christopher W. Woods, Senate President pro Tempore's Office (2)
Christian Griffith, Chief Consultant, Assembly Budget Committee
Joseph Shinstock, Fiscal Director, Assembly Republican Caucus, Office of Policy
and Budget
Paul Dress, Caucus Co-Chief of Staff, Assembly Republican Leader's Office
Katja Townsend, Capitol Director, Assembly Republican Leader's Office
Jason Sisney, Assembly Speaker's Office (2)
Mark McKenzie, Staff Director, Senate Appropriations Committee
Jay Dickenson, Chief Consultant, Assembly Appropriations Committee
Leisa Maestretti, Director, California Department of Education Fiscal &
Administrative Services Division
Andrea Johnson, Staff Services Manager III, California Department of Education
Fiscal & Administrative Services Division
Nicole Serrano, Staff Services Manager II, California Department of Education Fiscal
& Administrative Services Division

Please report dollars in thousands.

DEPARTMENT California Department of Education	ITEM NO./ FISCAL YEAR 2022-23	NOTIFICATION LETTER TO LEGISLATURE: <input type="checkbox"/> 30-DAY NOTICE <input checked="" type="checkbox"/> REQUEST WAIVER OF 30-DAY NOTICE
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PROGRAM TITLE PER GOVERNOR'S BUDGET:

Nutrition Services Division

FUNDING (SPECIFY FUND)	CURRENTLY BUDGETED	REQUESTED CHANGE (+) OR (-)	TOTAL
6100-201-0890	\$2,882,415,000	\$23,072,000	\$2,905,487,000

(Check appropriate boxes)

- The funds will be expended for a purpose that is consistent with state law (explain use of funds in Part A below).
- The funds are made available to the state under conditions permitting their use only for a specified purpose, and the additional expenditure proposed under this section would apply to that specified funding purpose (as supported by explanation for the purpose of the funds).
- Acceptance of additional funding does not impose on the state any requirement to commit or expend new state funds for any program or purpose.
- The need exists to expend the additional funding during the current fiscal year (explain in Part B below).
- This application is provided to Finance within 45-days of official notice of receipt of funds.
- Explanation of delayed notification to Finance is attached (required if 45-day notification period is exceeded).
- A copy of the official notice of fund availability is attached to this application.
- One-time expenditure.
- Ongoing commitment from this source (if checked, explain under Program Proposal).
- Matching funds required (if checked, explain under Program Proposal).
- Expenditure either supplements or supplants an existing state-funded program (if checked, explain under Program Proposal).

PART A: For what purpose will the funds be expended?

The California Department of Education (CDE) Nutrition Services Division (NSD) will use the Local Food for Schools (LFS) Co-Operative Agreement Grant to strengthen local food supply chain resources for School Food Authorities (SFAs) who participate in the National School Lunch Program or School Breakfast Program. In addition, NSD aims to foster purchasing connection with local producers with a focus on those producers designated as small business and/or socially disadvantaged.

PART B: Explain the need to expend the funds in the current fiscal year, including the consequence of waiting until budget year to expend the funds:

The CDE is requesting an additional \$23,072,000 for item 6100-201-0890. These funds are crucial to improve and strengthen the local food supply chain resources to School Food Authorities (SFA's), who participate in the National School Lunch Program or the School Breakfast Program. The imperative herein is to strengthen the relationships with local purchasing connections, local food growers, and distributors to ensure the accuracy of food provided, that food is well sourced, and that food provided is of high quality. If this request is not approved, the Nutrition Services Division (NSD) will not be able to distribute these funds to the Local Education Agencies (LEA's) during the first year of this two-year grant, missing vital opportunities to effectively distribute these funds to LEA's. As a result, the CDE would be required to return the awarded \$23,071,364 back to USDA.

PROGRAM PROPOSAL (Attach additional information as necessary)

TITLE: LOCAL FOOD FOR SCHOOLS	STATUTORY AUTHORITY: (state, federal, as appropriate) \$23,072,000
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DESCRIPTION:

The CDE's overarching goal for the LFS funding is to foster lasting connections and to achieve positive improvements toward building a resilient, robust, and diverse food supply system in all California communities. The State of California is committed to ensuring its students have access to two fresh, free, and nutritious school meals each day. This is exhibited by the State's commitment to funding the universal meals program, supporting scratch cooking through the Kitchen Infrastructure grants, and heavily funding farm-to-school incubator grants. With 1,363 school districts participating in the NSLP and/or SPB programs, serving approximately 6 million students annually, the impact of the increased administrative workload due to COVID-19 has left little time to explore local purchasing options or to invest the time needed to develop new relationships with local farmers and producers. Compounding this issue, the increase in the cost of food has a marked impact on budgets and purchasing practices. In a survey of 592 SFA's (as of 2021), 21% served locally grown produce less than twice per week, 35% serving local produce 2-3 day per week, and only 28% of SFA's served locally grown produce 4-5 days per week. Given that the State of California ranks first nationally in agricultural cash receipts, there is great opportunity to get local foods into schools. The infusion of designated funds is indispensable in supporting and sustaining local food purchasing practices during this time of social and economic strain.

JUSTIFICATION:

The CDE requests a waiver of the 30-day notice due to the time constraints for releasing LFS Grant funding.

The period of performance for the LFS is October 1, 2022 through March 31, 2024. Funds must be liquidated by schools no later than March 31, 2024, and the CDE must submit a final report within this period of performance. Prior to releasing funds, the CDE must release an opt-in survey to confirm participation. Schools must obtain school board approval to receive the funds. After this information is collected, CDE will perform an initial allocation, which is expected to be approximately 90% of the total grant amount. The USDA requires two allocations for this grant, and the first allocation is expected to be released in the last quarter of FY 2022-23. After funds are released, CDE will collect procurement documents. CDE will validate and certify expenditure data provided by program participants, and then release the remaining approximate 10% of the funds. The CDE must then complete a final report on LFS Grant activities related to outcome indicators, lessons learned and unique outcomes. All of these activities by program participants and the CDE must be completed within the period of performance.

If this request is not approved, it could jeopardize the State of California's ability to fulfill the requirements of the United States Department of Agriculture (USDA) to expend the full funding amount. If the NSD does expend any funds within the first year of the grant, locals will lose at least one year of funding and CDE will have to return funds. This also opens the possibility of audit findings from the USDA.

SUBMITTED BY:		APPROVED BY DEPARTMENT OF FINANCE:	
BUDGET OFFICER: Andrea Johnson <small>Digitally signed by Andrea Johnson Date: 2023.02.14 10:43:12 -08'00'</small>	DATE: 2/14/23	DATE SUBMITTED TO LEGISLATURE:	
DIRECTOR: Leisa Maestretti <small>Digitally signed by Leisa Maestretti Date: 2023.02.14 10:55:39 -08'00'</small>	DATE: 2/14/23	PPBA: Melissa Ng <small>Digitally signed by Melissa Ng Date: 2023.02.14 11:08:34 -08'00'</small>	DATE: 2/14/23