

*Senate Budget and Fiscal Review—Scott D. Wiener, Chair*

# SUBCOMMITTEE NO. 1

# Agenda

**Senator John Laird, Chair**  
**Senator Dave Min**  
**Senator Scott Wilk**



**Thursday, April 18, 2024**  
**9:30 a.m. or Upon Adjournment of Session**  
**1021 O Street, Room 2100**

Consultant: Yong Salas

<b>6100 Department of Education .....</b>	<b>2</b>
Issue 1: Federal Funds Status .....	2
Issue 2: Homeless Education Technical Assistance Centers .....	4
Issue 3: Nutrition.....	7
Issue 4: Parks Access .....	15

## Public Comment

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**6100 DEPARTMENT OF EDUCATION****Issue 1: Federal Funds Status****Panel.**

- Melissa Ng, Department of Finance
- Dan Merwin, Department of Education
- Michael Alferes, Legislative Analyst's Office

**Background.**

Since the beginning of the COVID-19 pandemic, California has received approximately \$24 billion in federal one-time relief funding, which was provided in three rounds of grants enacted by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA), and the American Rescue Plan (ARP) Act. Most of the funds dedicated to education from these pieces of legislation were administered through the Elementary and Secondary School Emergency Relief (ESSER) fund and the Governor's Emergency Education Relief (GEER) fund. CARES Act funding is administered through the ESSER I and GEER I funds, CRRSA funding is primarily administered through the ESSER II and GEER II funds, and ARP Act is primarily administered through the ESSER III and GEER III funds, in addition to some smaller pots of set-aside funds as described below.

All funds must be liquidated up to 120 calendar days following the obligation deadline for each round, and liquidation extensions were offered by the United States Department of Education for the three rounds of grant funding.

**CARES Act Funding.** In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on Friday, March 27, 2020.

This relief package provided states with both funding and streamlined waivers to give State educational agencies (SEAs) necessary flexibilities to respond to the COVID-19 pandemic. The relief package includes \$30.75 billion in emergency education funding.

California's allocation was approximately \$1.7 billion through ESSER I, and California's allocation through GEER I was \$355.2 million. These funds provide local educational agencies (LEAs) with emergency relief funds to address the impact COVID-19 has had, and continues to have, on elementary and secondary schools across the nation.

The obligation deadline for these funds was in September 2022. According to the Department of Education, local educational agencies did not apply for liquidation extensions, and ultimately, ESSER I funds were 99.98 percent expended, and GEER I funds were 99.81 percent expended.

**CRRSA Act Funding.** In response to COVID-19 the U.S. Congress passed the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act which was enacted on December 27, 2020.

The two main funding sources are the ESSER II fund and the GEER II fund. The ESSER II fund accounts for approximately \$54.3 billion of funding for all states, and California's allocation was \$6.7 billion. The GEER II fund accounts for approximately \$4.05 billion of funding for all states, and California's allocation is \$341.5 million. Within the GEER II fund, there is the set-aside for non-public schools, the Emergency Assistance to Non-Public Schools (EANS), which accounts for \$2.75 billion for all states and California's allocation is \$187.5 million. These funds will provide LEAs with emergency relief funds to address the impact COVID-19 has had, and continues to have, on elementary and secondary schools across the nation.

The obligation deadline for these funds was in September 2023. However, 15 applications were submitted to the United States Department of Education from 12 local educational agencies for a total of \$14.9 million. The U.S. Department of Education approved these applications on January 16, 2024 and the extended liquidation deadline for these funds is March 31, 2025.

**ARP Act Funding.** In response to COVID-19, the U.S. Congress passed American Rescue Plan (ARP) Act, which was signed into law on March 11, 2021. This federal stimulus funding is the third act of federal relief in response to COVID-19.

The ESSER III fund accounts for approximately \$122 billion of funding for all states, and California's allocation is \$15.1 billion. The ARP Act also included a special set-aside for non-public schools, EANS II, which provided \$181.3 million for California's non-public schools to provide emergency assistance to students and teachers. The ARP Act also established a second set-aside for homeless children and youth (HCY), which accounts for \$98.8 million of California's ARP Act allocations. These funds will provide eligible LEAs and non-public schools with emergency relief funds to address the impact COVID-19 has had, and continues to have.

The obligation deadline for these funds is in September 2024. In January 2024, the U.S. Department of Education released guidance that would extend the liquidation period. These funds must be obligated by September 30, 2024, and liquidated by January 28, 2025. The applications to request extensions are due by December 31, 2024, and extensions may be up to March 2026.

**Suggested Questions.**

- Does the Department of Education anticipate local educational agencies to apply for liquidation extension requests for the American Rescue Plan Act funds, and if so, does the Department have a sense of the amount of funding that could potentially be eligible for extension requests?

**Staff Recommendation.** This item is informational.

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**Issue 2: Homeless Education Technical Assistance Centers****Panel.**

- Melissa Ng, Department of Finance
- William McGee, Department of Education
- Michael Alferes, Legislative Analyst's Office

**Background.**

The U.S. Congress passed American Rescue Plan (ARP) Act, which was signed into law on March 11, 2021. The ARP Act included a special set-aside for homeless children and youth (HCY), which accounts for \$98.8 million of California's ARP Act allocations. The Department of Education disbursed ARP-HCY funds from two funding sources. Approximately \$18.5 million was disbursed to 120 local educational agencies that currently receive an Education for Homeless Children and Youth grant. Approximately \$55.6 million was allocated to almost 700 local educational agencies, based on a local educational agency's Title I allocation and their homeless children and youth population in 2018-19 or 2019-20.

These funds can be used for allowable activities under McKinney-Vento Homeless Assistance Act, as well as wraparound services, reliable high-speed internet, needed supplies and cell phones, short-term temporary housing (2-3 days), and store cards or pre-paid debit cards.

\$4.5 million of the ARP HCY funds were used to support Homeless Education Technical Assistance Centers. These technical assistance centers are intended to provide support and technical assistance to other county offices of education to ensure they have the capacity, resources, and tools required to support their local educational agencies in educating youth experiencing homelessness, including the accurate identification of its homeless students.

Three county offices were selected – Contra Costa County Office of Education, Los Angeles County Office of Education, and San Diego County Office of Education – and were allocated \$1.5 million each to spend beginning in the 2021-22 fiscal year. Supports provided by the Homeless Education Technical Assistance Centers include: (1) the development and maintenance of the HETAC website, which provides informational and practical homeless education resources, (2) the development and provision of virtual homeless education trainings, (3) the planning and hosting of in-person homeless education trainings and conferences, (4) the development of homeless education resources such as issue briefs and implementation tools and templates, and (5) other resources, according to the evolving needs of California county offices of education and local educational agencies.

The ARP-HCY II Funds Annual Report<sup>1</sup> provides fiscal and program data for homeless and children youth served with some of these dollars from March 13, 2020 through December 31,

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<sup>1</sup> <https://www.cde.ca.gov/sp/hs/arphcyiiannualreport.asp>

2022, and a snapshot of how these funds were used to provide educational support during this period can be found below:

### Educational Support Services Provided with ARP-HCY II Funds

The number of educational support services provided by LEAs using ARP-HCY II funds during March 13, 2020 through December 31, 2022. Please note that some of these totals can reflect duplicated counts due to services provided more than once throughout this time.

Educational Support Services	Number of Provisions
Tutoring or other instructional support	79
Expedited evaluations	15
Staff professional development and awareness	97
Referral services for medical, dental, mental, and other health services	78
Transportation	214
Early childhood education programs	23
Assistance with participation in school programs	125
Before-, after-school, mentoring, summer programs	57
Obtaining or transferring records necessary for enrollment	45
Parent education related to rights and resources for children	76
Coordination between schools and agencies	100
Counseling	76
Addressing needs related to domestic violence	42
Clothing to meet a school requirement	181
School supplies including personal protective equipment, eyeglasses, school supplies, personal care items, etc.	267
Referral to other programs and services	93
Emergency assistance related to school attendance	72
Wraparound services with and/or through community-based organizations	59
The purchase of cell phones or other technological devices for unaccompanied youth to enable the youth to attend and fully participate in school activities	28
The provision of access to reliable high-speed internet	38
Paying for short-term, temporary housing (e.g., a few days in a motel)	95
The provision of store cards/prepaid debit cards to purchase materials	113

The Department of Education reports that as of January 31, 2024, \$11.6 million from HCY I has been expended and \$6.8 million still has yet to be expended, and that \$20 million from HCY II has been expended with \$35.5 million remaining as of December 31, 2023. These numbers do not reflect the funds that have been obligated, or encumbered.

**Governor’s Budget.** The Governor’s Budget includes \$1.5 million ongoing Proposition 98 General Fund for three county offices of education to continue the work of Homeless Education Technical Assistance Centers, as well as providing targeted technical assistance for local educational agencies with regard to maximizing funding streams and improving academic outcomes for homeless students.

**Suggested Questions.**

- Does the state expect local educational agencies to be able to obligate and expend all the funds related to Homeless Children and Youth by the federal deadlines?
- Were there effective practices or services that local educational agencies were able to provide with these funds that may be discontinued with the expiration of these funds?
- What does the Administration envision technical assistance from the county offices of education to look like with these funds?

**Staff Recommendation.** Hold open.

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**Issue 3: Nutrition****Panel.**

- Melissa Ng, Department of Finance
- Kim Frinzell, Department of Education
- Sara Cortez, Legislative Analyst's Office

**Background.****School Nutrition Programs (SNP)**

Since 2022-23, Local Educational Agencies, including charter schools, will be required to provide two school meals to students free of charge for grades Transitional Kindergarten to grades twelve during each school day, regardless of a student's eligibility for federally funded free and reduced price meals under California's education code. The budget provides for the state reimbursement of school meals up to the combined free breakfast and lunch reimbursement rate amounts not covered by the federal meal reimbursements for schools participating in the federally funded school meals program.

Education Code Section 49550(c) defines "school day" as any day that pupils in kindergarten or grades 1 to 12, inclusive, are attending school for purposes of classroom instruction, including, but not limited to, pupil attendance at minimum days, state-funded preschool, transitional kindergarten, summer school including incoming kindergarten pupils, extended school year days, and Saturday school sessions.

A nutritionally adequate meal (breakfast and lunch) must meet the federal meal pattern requirements and qualify for federal reimbursements.

**Types of Meal Programs**

The California Department of Education (CDE) administers school meal programs overseen by the United States Department of Agriculture (USDA). The main programs are as follows:

**National School Lunch Program (NSLP)** – The National School Lunch Program is a federally funded program that assists schools and other agencies in providing nutritious lunches to children at reasonable prices. In addition to financial assistance, the program provides donated commodity foods to help reduce lunch program costs. The National School Lunch Program is operated on a reimbursement basis, with agencies paid on the number of meals served. Agencies that participate in the program are reimbursed from two sources: the USDA and the State of California. State reimbursement is paid for all free and reduced price meals. Federal reimbursement is paid for all free, reduced price, and paid meals. The National School Lunch Program (NSLP) also offers reimbursement to schools serving nutritious snacks to children participating in after-school care programs.

**School Breakfast Program** – Local Educational Agencies may also choose to participate in the School Breakfast Program. The School Breakfast Program is a federally funded USDA program which assists schools and other agencies in providing nutritious breakfasts to children at reasonable prices. Similar to the National School Lunch program, the School Breakfast Program must be open to all enrolled children. If a child already qualifies for free or reduced-price lunches, then the child would also qualify for free or reduced-price breakfasts. The School Breakfast Program is operated on a reimbursement basis, with agencies paid on the number of meals served multiplied by the appropriate reimbursement rate. State reimbursement is paid for all free and reduced price meals. School sites may qualify for higher reimbursement rates if they are designated to be in severe need (if, two years prior, 40 percent or more of the lunches served at the site were free or reduced-price). Sites must annually re-establish their eligibility for the Severe Need Breakfast Reimbursement.

**Summer Food Service Program** - The Summer Food Service Program (SFSP) is a U.S. Department of Agriculture (USDA) federally funded program that reimburses sponsors for administrative and operational costs to provide meals for children 18 years of age and younger during periods when they are out of school for fifteen (15) or more consecutive school days. Sponsors may operate the SFSP at one or more sites, which are the actual locations where meals are served and children eat in a supervised setting. Eligible sites are those that serve children in low-income areas or those that serve specific groups of low-income children. Sponsors must provide documentation that proposed sites meet the income eligibility criteria required by law. There are three common types of sites: open sites, camps (residential and nonresidential), and closed enrolled sites.

Open sites are meal sites where meals are available to any child from the community. Open sites are located in needy areas where 50 percent or more of the children residing in the area are eligible for free or reduced-price (F/RP) school meals, enrollment in a program is not required. Meals are made available to all children in the area on a first-come, first-serve basis. Camp sites are those that offer regularly scheduled food service along with organized activities for enrolled residential or day campers. The camp receives reimbursement only for meals served to enrolled children who qualify for F/RP meals. Closed sites are open only to enrolled children or to an identified group of children, as opposed to the community at large. Closed enrolled sites must also establish their eligibility through the individual income eligibility of the children attending the site.

LEAs may also choose to operate a Seamless Summer Option through the National School Lunch (NSLP) or School Breakfast Programs (SBP). School Food Authorities (SFA) follow the same meal service rules and claiming procedures used during the regular school year. Meals served are reimbursed at the NSLP and/or SBP “free” rates.

### **Eligibility**

Under federal USDA school meal programs, all school-aged children in income-eligible households are eligible for school meal benefits regardless of a child’s immigration status. The family-size income levels are prescribed annually by the Secretary of Agriculture for determining eligibility for free and reduced price meals and free milk. The free guidelines are 130 percent of the Federal poverty guidelines. The reduced price guidelines are 185 percent of the Federal poverty guidelines.



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LEAs may identify eligible children in a few different ways. They must notify all families of free and reduced price meals and provide applications for families to complete. In addition, LEAs may directly certify student eligibility by using information from other means-tested programs, including Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) or by determining that a child is eligible due to identification as homeless, runaway, migrant, or foster child, or enrollment in federal Head Start or comparable state program. LEAs must provide households with notification of direct certification or provide an application.

### **Alternative Ways to Claim Student Meals**

**Community Eligibility Provision (CEP)** - The CEP was implemented by the federal Healthy, Hunger-Free Kids Act of 2010. The CEP allows high-poverty schools to eliminate the administrative burden of school meal applications and still serve breakfast and lunch at no charge to all students. In October 2023, the USDA expanded access to the Community Eligibility Provision by lowering the minimum identified student percentage participation threshold from 40 percent to 25 percent. The identified student percentage is determined by how many students are eligible under direct certification. The deadline for local educational agencies to submit applications for participation to the California Department of Education is June 30 of every year. Reimbursement under CEP is determined by multiplying the identified student percentage by the multiplier, which is 1.6 (a number set by the U.S. Department of Agriculture). This is the percentage of meals that can be claimed at the free rate. The meals reimbursed at the free rate will be reimbursed with federal reimbursement, while additional state reimbursement will cover the cost of any meals claimed at the paid rate.

All schools eligible for the Community Eligibility Provision, the federal universal meals provision, are required to apply for the program, and local educational agencies may group schools and average their identified student percentage to meet the 25 percent threshold. The state will then cover any remaining unreimbursed costs up to the federal free per-meal rate.

**“Provision 2.”** Provision 2 requires that the school serve meals to participating children at no charge but reduces application burdens to once every four years. It also simplifies meal counting and claiming procedures by allowing a school to receive meal reimbursement based on claiming percentages. Additional four-year extensions of Provision 2 are possible when certain conditions are met.

### **Recent Budget Actions**

Typically, an LEA must operate under specific rules related to the meal programs they are participating in to receive reimbursement. This means that during the school year, LEAs participating in school meals program provide meals at specified times, sites, and settings. During the summer, when school is out of session, LEAs may continue to participate in meal programs that allow for more flexibility in the methods of food distribution as described above.

**2020-21 Budget Act.** In response to the concerns that LEAs’ nutrition programs were struggling to cover costs, the 2020-21 budget provided \$192 million in one-time Federal Elementary and Secondary Schools Emergency Relief for LEA school meal reimbursements during summer break

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and COVID-19 school closures through August 30, 2020, at a rate of up to an additional 75 cents per meal. It also allowed state reimbursement funds from 2019-20 to be used for disaster relief for LEAs who did, or attempted to, serve student meals during the school closure period.

**2021-22 Budget Act.** The 2021-22 Budget provided \$54 million ongoing Proposition 98 General Fund for the Child Nutrition Program to provide the state reimbursement rate for universal breakfast and lunch in the 2021-22 budget year. Additionally, the 2021-22 Budget included \$150 million one-time Proposition 98 General Fund for school districts to upgrade kitchen infrastructure and equipment, as well as provide training to food service employees. Of this amount, \$120 million will provide a minimum of \$25,000 per district for kitchen upgrades and equipment, and \$30 million to provide a minimum of \$2,000 per district for training to promote nutritious foods, food preparation, and healthy food marketing. Eighty percent of eligible local educational agencies (940 out of 1176 local educational agencies) registered for the funds. For kitchen infrastructure funding, most LEAs requested funding to purchase cooking equipment and make associated facility upgrades (91 percent), followed by service equipment (88 percent)—such as mobile carts—and refrigeration and storage (88 percent). By June 30, 2023, CDE is required to collect expenditure reports and narrative responses explaining how these funds were used to improve the quality of school meals or increase school meals participation from each participating local educational agency.

On December 17, 2021, the USDA announced \$1.5 billion nationwide to states and school districts to help school meal program operators deal with the challenges of supply chain disruptions brought on by the pandemic. Of this amount, California received \$171.5 million.

**2022-23 Budget Act.** The 2022-23 Budget included \$596 million Proposition 98 General Fund to cover the costs of universal meal requirements that were enacted in the 2021-22 budget, to bring total funding to \$650 million.

Additionally, the budget included \$600 million in one-time Proposition 98 General Fund to upgrade school kitchen infrastructure and equipment, and \$100 million one-time Proposition 98 General Fund for School Food Best Practices Grant for local educational agencies. The School Food Best Practices Grant funding is intended to assist local educational agencies to purchase California-grown or produced, sustainably grown, whole or minimally processed foods, and plant-based or restricted diet meals.

The Budget also included a new provision that allows the Department of Finance to administratively augment funding for school meals if a shortfall for the current year is projected. In May 2023, the Department of Finance augmented approximately \$110 million Proposition 98 General Fund to ensure that school meal reimbursements were fully funded.

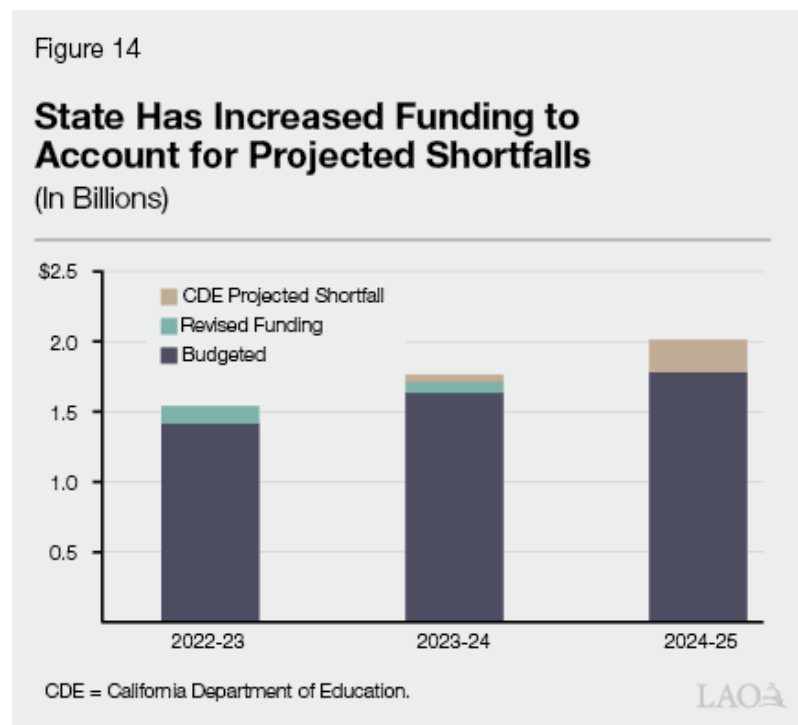
**2023-24 Budget Act.** The 2023-24 Budget included an augmentation of \$154.1 million for costs related to the universal meal requirements, in addition to a cost-of-living adjustment of \$75.8 million, for total Proposition 98 General Fund allocation of \$1.4 billion.

In January 2024, the Department of Education notified the Department of Finance and the Legislature that it projects a budget shortfall of \$126.3 million in 2023-24 related to universal meals implementation.

**Governor’s Budget.** The Governor’s Budget includes an augmentation of \$122.2 million for costs related to the universal meal requirements, in addition to a cost-of-living adjustment of \$13.4 million, for total Proposition 98 General Fund allocation of \$1.8 billion.

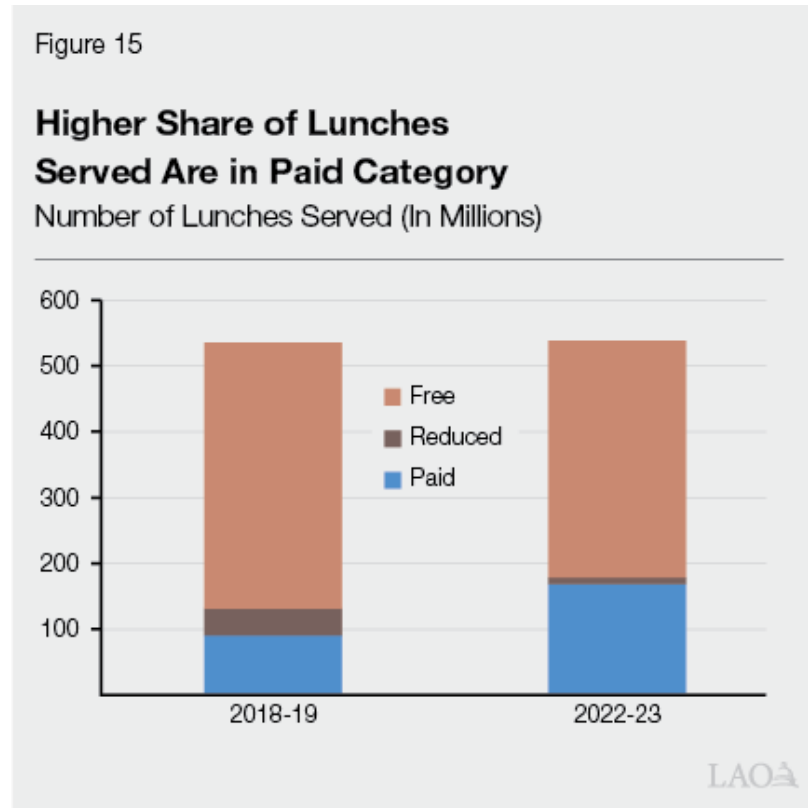
**Legislative Analyst’s Office.**

***Program Costs Have Been Higher Than Anticipated.*** In the first two years of implementing universal school meals, costs for the program have exceeded estimates in the enacted budget (see Figure 14). In 2022-23, the state budgeted \$1.4 billion for school nutrition programs, while costs came in \$122 million higher. For 2023-24, the Governor’s budget includes a \$65 million increase to the \$1.6 billion included in the June 2023 budget plan. CDE’s recent required January report, however, anticipates needing an additional \$61 million above what was proposed at the Governor’s budget to cover current-year nutrition costs. This would bring total costs to \$1.8 billion. CDE also projects 2024-25 costs will be \$226 million higher than proposed in the Governor’s budget. As we discuss below, these higher costs are associated with its estimates of implementing the new federal rule change.



***Increase in Share of Meals Served in the Paid Category.*** One reason school nutrition costs have been higher than expected is the change in the category of meal served. Figure 15 shows lunches served by category in 2018-19 compared to 2022-23. Although the total number of lunches served was relatively stable, schools served 78 million more lunches in the paid category in 2022-23 compared to 2018-19. This contributes to increased state costs since the state share of

reimbursement is higher for meals at the paid level compared to those at the free or reduced level. During this period, the share of students that qualify for free or reduced-price lunch has remained stable. In 2018-19, 59.4 percent of students were eligible for free and reduced-price meals compared to 59.9 percent in 2022-23.



**State Costs Grow Due to Federal COLA.** Under the Governor’s budget, the combined federal and state reimbursement for lunch is projected to grow 4.7 percent in 2024-25. This is a much higher rate of growth than the 0.76 percent COLA that is assumed under the Governor’s budget in other select K-12 education programs. Under the Governor’s budget, state costs for lunches reimbursed by the federal government at the paid rate are anticipated to grow 6.6 percent. This higher growth rate in costs is due to the state’s policy that paid meals receive the same combined rate as free meals.

**Provisional Language Limits Options to Contain Nutrition Program Costs.** Provisional language added as part of the 2022-23 budget package requires the administration provide additional funds for school nutrition programs if CDE projects a shortfall. Prior to this provisional language, a shortfall would result in meal rates being prorated, unless the Legislature provided an additional augmentation. While the new provisional language was intended to give schools more certainty regarding their state funding, it limits Legislative options in cases where the number of meals served or the cost of those meals exceeds the projected amount included in the annual budget.

**Federal Rule Change Could Increase State Costs.** Both DOF and CDE have provided estimates of state costs associated with the federal rule change that expands CEP eligibility. DOF assumes that the rule change will not impact the number of school meals served, but will impact the categories in which the meals are reimbursed. DOF assumes the shifts in categories will result in

minor state costs of \$172,000. These costs are included in the Governor’s budget. CDE alternatively estimates roughly 81 million more meals will be served as a result of the rule, resulting in a \$226 million increase in state costs above the funding level in the Governor’s budget.

***Required Participation in Federal Alternative Reimbursement Options May No Longer Maximize Federal Funding.*** A key goal of requiring schools to participate in an alternative federal reimbursement option is to maximize federal reimbursements (thereby reducing state costs of implementing universal school meals). However, some newly eligible CEP schools may be better off from a federal meal reimbursement perspective using the traditional reimbursement process. This is because the CEP formula sets the proportion of meals reimbursed at the free and paid rates using a school’s ISP—a metric that is not used in traditional reimbursement. The effect of participating in CEP will depend on each school’s specific ISP and the share of meals it serves at each rate. To assess the effects of these schools shifting to CEP, we developed projections of school reimbursement amounts using 2022-23 meal data. Based on our analysis, we estimate roughly half of schools newly eligible for CEP would receive greater federal reimbursement under CEP. The other half of newly eligible schools would receive greater federal reimbursement under the traditional approach. To explain how a school could receive more federal reimbursement under the traditional approach, we can use as an example a school that received the free or reduced-price rate for two-thirds of the lunches it served in 2022-23 and has an ISP of 29 percent. Under the traditional approach, the school received the state paid rate for one-third of lunches served. In contrast, under CEP the school would have 54 percent of its meals reimbursed at the paid rate. (The school’s ISP of 29 percent would be multiplied by 1.6 to determine the share of meals reimbursed at the free rate [46 percent]. The remainder would be reimbursed at the paid rate.) If this school had been required to participate in CEP in 2022-23, it would have received less federal funding due to the increase in lunches reimbursed at the paid rate. This also would have resulted in a corresponding increase in state funds needed to cover these meal costs. Requiring these schools to participate in a federal reimbursement option would result in the state paying for a higher share of their meal costs. This analysis does not account for anticipated meal growth from either universal meals or CEP participation.

### ***Options for Containing Future Cost Growth***

Given the budget situation, the Legislature may want to be proactive in containing future cost growth in the school nutrition program. In the “K-12 Spending Plan” section of this report, we recommend the Legislature reject the COLA for all K-12 programs this year and reject the other proposed adjustments to school nutrition. This is because Proposition 98 funding is not sufficient to cover the state’s current ongoing spending level. In this section, we identify several options for further containing the growth of the school nutrition program in 2024-25 and future years. These options are focused on reducing state reimbursement rates and maximizing the amount of federal funding the state receives for school meals. They would not change the requirement that public schools offer free meals to all their students.

***Set Nutrition Rates at a Lower Level.*** Given the budget condition, the Legislature may want to consider reducing the state reimbursement rate. The Legislature could provide an across-the-board reduction where all meals served would receive a lower state contribution per meal. We estimate reducing the state rate by 63 cents (the size of the discretionary rate increase provided in 2022-23) would result in \$541 million in savings in 2024-25. Alternatively, the Legislature could take a

more targeted approach and decide to reduce reimbursement rates for a specific reimbursement level, such as paid meals.

***Revisit Approach to COLA.*** Given the current approach to the COLA in school nutrition is much more generous compared to other areas in K-12 education, the Legislature may want to revisit how it sets annual rate increases. One option is to no longer provide the federal COLA to the paid rate. This would mean that the combined state and federal *free* rate would grow at a different pace from the combined state and federal *paid* rate. A second option is for the state to suspend the automatic COLA adjustment for school nutrition and decide on an appropriate inflationary adjustment annually as part of the budget process. In deciding the annual change to rates, the Legislature could take into consideration the projected federal COLA and anticipated total meal costs.

***Suspend Administrative Augmentation Authority.*** The Legislature could remove the provisional language that requires the administration to provide additional funds for school nutrition programs if CDE projects a shortfall. The Legislature could instead decide on an amount through the budget process. In the event of a projected shortfall and if budget conditions allow, the Legislature could provide an additional augmentation. This allows the Legislature to consider increases in the school nutrition program along with other priorities within K-12 education.

***Remove Mandatory Participation Requirement for Newly Eligible CEP Schools.*** Given the likely state costs associated with newly eligible schools using CEP, we recommend the Legislature amend the existing state participation requirement. The Legislature could maintain the requirement for previously eligible CEP schools (schools with an ISP of 40 percent or higher). For newly eligible CEP schools, the Legislature could allow CEP participation only if schools demonstrate their projections indicate this option would maximize federal meal reimbursements.

### **Suggested Questions.**

- Does the state have a sense yet of how the new federal Community Eligibility Provision rules could impact the state cost for universal school meals?
- What can the state do to incentivize families to submit federal meal eligibility forms?

**Staff Recommendation.** Hold open.

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**Issue 4: Parks Access****Panel.**

- Katie Lagomarsino, Department of Finance
- Elizabeth McGuirk, Department of Parks and Recreation
- Michael Alferes, Legislative Analyst's Office

**Background.**

The 2021 Budget included \$9.1 million one-time General Fund through the California Department of Parks and Recreation for a pilot program to expand parks pass distribution, and it included the “California State Parks Adventure Pass” (for all 4<sup>th</sup> graders or 4<sup>th</sup> grade equivalent children), the “California State Library Parks Pass” (for all library-card holders), and the “Golden Bears Pass” (for families who are enrolled in CalWORKs). The Adventure Pass expires on July 1, 2024.

The Adventure Pass allows all 4<sup>th</sup> graders in California, including 4<sup>th</sup> graders that are homeschooled or attending non-public schools, access to California State Parks for free. This includes vehicle fee waivers for vehicles transporting the 4<sup>th</sup> grader, and entrance fee waivers for up to three adults and all children that accompany the 4<sup>th</sup> grader.

As of November 2023, the number of Adventure Passes that were issued are as follows (these numbers reflect the number of passes and are not inclusive of those individuals who accompanied the student):

- 2021 school year -17,481
- 2022 school year – 25,930
- 2023 school year – 5,016

**Governor's Budget.** The Governor's Budget includes \$2.1 million ongoing Proposition 98 General Fund for a county office of education to partner with the Department of Parks and Recreation to provide free access for 4<sup>th</sup> graders attending public schools to California State Parks.

This funding is based on operations costs at the California State Parks, which supports \$1.7 million in staff costs, \$300,000 in operating equipment, and \$100,000 for transportation services to Adventure Pass holders where transportation is a barrier to access. These costs do not include maintenance costs, which the Department of Parks and Recreation states can be absorbed within their existing resources.

**Staff Recommendation.** Hold open.