

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 17, 2007
POSITION: Neutral, note concerns

BILL NUMBER: SB 20
AUTHOR: T. Torlakson
RELATED BILLS: SB 490 (Alquist) ,
AB 90 (Lieu), AB 86
(Lieu)

BILL SUMMARY: Pupil Nutrition: Free and Reduced-Price Meals

Beginning July 1, 2007, this bill would increase the reimbursement rate for free and reduced-price meals to \$0.21 for school districts that do not sell or serve meals containing foods fried in unhealthy oils or containing artificial trans fats. Child development programs would be encouraged to meet the same nutritional standards in order to receive the \$0.21 reimbursement rate.

FISCAL SUMMARY

This bill would cost \$24.9 million Proposition 98 General Fund to increase the Child Nutrition Program reimbursement rate from \$0.1634 to \$0.21. The Budget provides \$123.3 million Proposition 98 General Fund for the Child Nutrition Program, of which \$24.9 million is contingent upon legislation being enacted that improves the nutritional quality of school meals.

The bill would not create a reimbursable state mandate because school districts are not required to serve free and reduced-priced meals that comply with the nutritional standards of this bill. Rather, the bill provides an incentive for school districts to adopt healthier, more nutritious meal options, but still allows them to continue their current practices if they so chose.

COMMENTS

The Department of Finance is neutral on this bill, but notes the following concerns:

- The bill may not be necessary because Senate Bill 80 and Assembly Bill 193 (2007 omnibus Education trailer bills) contain similar language that establish nutritional standards and prohibitions.
- The bill does not state that the State Department Education’s (SDE) Shaping Health as Partners in Education (SHAPE) is an allowable menu planning option, which is inconsistent with existing law.
- The bill does not specifically prohibit food items that have been deep fried, par fried, or flash fried in oils or fat during the manufacturing process. Furthermore, the bill only prohibits food items that have been deep fried, par fried, or flash fried in oil or fat that exceed 20 percent total saturated fat, which is not consistent with the Administration’s goal of eliminating all foods fried in unhealthy oils.

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| Analyst/Principal (0362) R. Storm | Date | Program Budget Manager Jeannie Oropeza | Date |
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| Department Deputy Director | Date |
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| Governor's Office: | By: | Date: | Position Approved _____ |
| | | | Position Disapproved _____ |

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

T. Torlakson

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ANALYSIS

A. Programmatic Analysis

Section 49550 of the Education Code requires each school district and county superintendent of schools maintaining grades K through 12 to provide each needy pupil one nutritionally-adequate free or reduced-price meal during each school day. Furthermore, Section 49531 of the Education Code states that any child nutrition entity may apply to the SDE for all available federal and state funds so that a nutritionally-adequate breakfast or lunch, or both, may be provided to pupils each school day. In order to receive reimbursement, schools must serve meals that comply with nutrition standards outlined by the USDA or SHAPE meal patterns. Finally, Sections 49431 and 49431.2 of the Education Code establish additional nutrition standards for food items served in elementary, middle, and high schools; however, these standards do not prohibit artificial trans fats. Specially, these sections establish limits on fat, saturated fat, sugar, and calories.

The Budget provides \$123.3 million Proposition 98 General Fund for free and reduced-price meal programs, of which \$24.9 million is contingent upon legislation being enacted that improves the quality of meals served to California students. The Budget also provides \$12.2 million non-Proposition 98 General Fund, and \$1.6 billion federal funds for free and reduced-price meal programs.

According to the author's office, obesity has become a national epidemic and the number of overweight children ages 6 to 11 has nearly quadrupled over the last 30 years. Moreover, the percentage of overweight adolescents ages 12 to 19 has more than doubled during the same period. As a result, overweight and unfit children are at significant risk of Type 2 diabetes, high blood pressure, asthma, and other disabilities. This bill would implement \$24.9 million Proposition 98 General Fund in the Budget, which would effectively increase the reimbursement rate for free and reduced-price meals to \$0.21 for school districts that comply with specified nutritional standards to improve pupil health.

Beginning in 2007-08, this bill would increase the reimbursement rate for free and reduced-price meals to \$0.21 for school districts that comply with the following:

- Follow the United States Department of Agriculture (USDA) nutrition guidelines.
- Not sell or serve a food item that has in any way been deep fried, par fried, or flash fried, by a school or school district.
- Not sell or serve a food item that contains artificial trans fat.
- Not sell or serve a food item that has been deep fried, par fried, or flash fried in fat or oil that exceeds 20 percent total saturated fat. Prohibited oils include, but are not limited to, palm coconut, palm kernel, lard, or butter. Permitted oils include, but are not limited to, canola, safflower, sunflower, corn, olive, soybean, peanut, or a blend of these oils.

Beginning in 2007-08, this bill would encourage child development programs serving free and reduced-price meals to comply with the following:

- Meet developmentally and programmatically appropriate meal pattern and meal planning requirements developed by the USDA.
- Not sell or serve a food item that has in any way been deep fried, par fried, or flash fried, by a school district or child development program.
- Do not sell or serve a food item that contains artificial trans fat.
- Not sell or serve a food item that has been deep fried, par fried, or flash fried in oil or fat that exceeds 20 percent total saturated fat. Prohibited oils and fats include, but are not limited to, palm coconut, palm kernel, lard, or butter. Permitted oils include, but are not limited to, canola, safflower, sunflower, corn, olive, soybean, peanut, or a blend of these oils.

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ANALYSIS (continued)

A. Programmatic Analysis (continued)

The specified requirements and prohibitions of this bill apply to raw bulk USDA commodity foods, but do not apply to USDA commodity foods until the scheduled 2009 reauthorization of the USDA National School Lunch Program is complete and ingredient and nutrition information is available for all USDA commodity foods, whichever is earlier.

As a condition of receiving \$0.21 per meal, school districts are required to provide a one-time certification of compliance with these requirements by June 30, 2008.

The specified requirements and prohibitions of this bill will become operative only upon an appropriation for its purposes in the annual Budget Act or another statute.

Related Bills

SB 490 (Alquist) would, beginning July 1, 2009, prohibit school districts from making food items available through vending machines or food service establishments that contain trans fats, but the prohibition would not apply to free and reduced-price meals.

AB 90 (Lieu) would, beginning July 1, 2009, prohibit a school or school district from serving or selling any food items containing artificial trans fat and prohibit the use of artificial trans fat in the preparation of a food item served or sold to pupils. AB 90 was held in the Assembly Appropriations Committee.

AB 86 (Lieu) would prohibit elementary, middle, and high schools from selling food items containing partially hydrogenated or hydrogenated vegetable oils, except to the extent that these oils are naturally occurring in food items. AB 86 was held in the Assembly Education Committee.

B. Fiscal Analysis

This bill would cost \$24.9 million Proposition 98 General Fund to increase the Child Nutrition Program reimbursement rate from \$0.1634 to \$0.21. The Budget provides \$123.3 million Proposition 98 General Fund for the Child Nutrition Program, of which \$24.9 million is contingent upon legislation being enacted that improves the nutritional quality of school meals.

The bill would not create a reimbursable state mandate because school districts are not required to serve free and reduced-priced meals that comply with the nutritional standards of this bill. Rather, the bill provides an incentive for school districts to adopt healthier, more nutritious meal options, but still allows them to continue their current practices if they so chose.

| Code/Department Agency or Revenue Type | SO | (Fiscal Impact by Fiscal Year) | | | | | | | | |
|--|----|--------------------------------|----|-----------|----|-----------|----|-----------|--|------|
| | LA | (Dollars in Thousands) | | | | | | | | |
| | CO | PROP | | | | | | | | Fund |
| | RV | 98 | FC | 2007-2008 | FC | 2008-2009 | FC | 2009-2010 | | Code |
| 6110/Dept of Educ | LA | Yes | B | \$24,900 | B | \$24,900 | B | \$24,900 | | 0001 |