

The 2025-26 Budget: School Nutrition

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SUMMARY

This brief provides an overview and analysis of the Governor’s proposals for school nutrition. In 2021-22, the state’s role in funding school nutrition programs fundamentally changed with the enactment of universal meal requirements. Local education agencies (LEAs)—school districts, charter schools, and county offices of education—now are required to provide one free breakfast and one free lunch per school day to any student requesting a meal. Since enactment, the number of meals served and the funds the state has provided for school meals has increased. The state has also provided one-time Kitchen Infrastructure and Training (KIT) funds to LEAs to implement the universal meal requirements.

Recommend Providing More School Nutrition Funding in the Budget Year. The administration proposes providing an additional \$84 million in 2025-26 aligned with its estimate of universal meals. We estimate the state will serve 967 million meals in 2025-26, or 46 million (5 percent) above the administration’s estimate. Based on our higher estimates, we recommend providing \$32 million more than the Governor proposes for school nutrition programs in 2025-26. This would reflect cost growth more consistent with recent trends in the number of school meals served.

Recommend Rejecting Third Round of KIT Funds. The Governor’s budget also proposes \$150 million one-time Proposition 98 funding for grants to increase capacity for offering freshly prepared meals on-site. We recommend the Legislature reject this proposed funding. The effect of previous KIT funding on the capacity of LEAs to serve more meals is still unclear. The state also has little information on the demand of LEAs to serve freshly prepared on-site meals. The Legislature could evaluate if additional funding is merited in 2026-27, when more information on the uses of the first and second round of KIT funds will be available.

Recommend Better Ongoing Data Collection Aligned With Statewide Nutrition Priorities. In addition to KIT funds, the state has funded many other nutrition initiatives over the past several years. These funds have typically lacked outcome expectations. If the Legislature continues to provide funds for specific nutrition initiatives, we recommend the state set goals associated with the funds and collect data statewide to assess progress towards meeting these goals. This additional data would help the Legislature determine whether to continue to dedicate resources to a specific priority, or if sufficient progress has been made such that the state could direct funding toward other priorities.

Background

Federal Government Provides Funds for Meals Served in Schools. The federal government has two programs, the National School Lunch Program and the School Breakfast Program, that serve meals to children during the school day. These federal programs have many requirements that LEAs must follow, such as serving meals that meet certain nutritional standards.

Federal Reimbursement Rate Varies by Household Income of Students Served. These federal nutrition programs reimburse LEAs based on the number of meals they serve, with the per-meal reimbursement rate varying by student household income. Students from households with incomes at or below 130 percent of the federal poverty level (FPL) (\$33,566 annually for a family of three) receive meals reimbursed at the “free” rate. Students from households with incomes at or below 185 percent of the FPL (\$47,767 annually for a family

of three) receive meals reimbursed at the “reduced” rate. All other meals are reimbursed at the “paid” rate. In 2024-25, the federal government reimburses schools up to \$4.54 for lunches served at the free rate and up to 53 cents for lunches served at the paid rate. Federal meal reimbursement rates receive an annual cost-of-living adjustment (COLA) based on a federal price index that reflects changes in the costs of meals purchased away from home.

State Implemented Universal Meals in California. Historically, state funding for school nutrition was limited to supplementing the federal reimbursement rate for free and reduced-price meals. (The state did not contribute to paid meals.) The state’s role in funding school nutrition programs fundamentally changed with the enactment of universal meal requirements. Trailer legislation related to the 2021-22 budget package required that, beginning in 2022-23, all LEAs provide one free breakfast and one free lunch per school day to any student requesting a meal. (Under a temporary federal pandemic policy, schools had the option to provide free meals to all students prior to the enactment of state legislation.) Universal meals in California relies on LEA participation in both federal and state programs. To receive state reimbursement for school meals, state law requires schools to participate in the National School Lunch Program and the School Breakfast Program. The state supplements federal funds with additional state funds for each meal served. The 2024-25 budget includes \$1.8 billion Proposition 98 General Fund and \$2.7 billion federal funding to provide a projected 884 million school meals during the school year.

Universal Meals Intended to Reduce Stigma, Increase Attendance, and Improve Student Well-Being. Since 2021-22, the state provided the Nutrition Policy Institute, a research institute affiliated with the University of California, \$7 million to evaluate universal meals. As part of

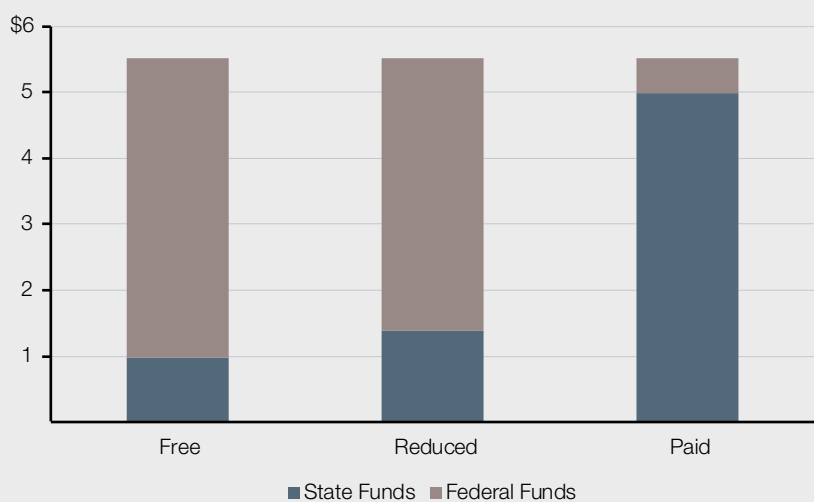
this initiative the Nutrition Policy Institute conducted focus groups of California middle and high school students to understand their perception of universal meals. Students reported having reduced stigma and embarrassment around who eats school meals, especially for students eligible for free or reduced priced meals. To our knowledge, there are no studies that have evaluated the impact of California’s universal meals program on student attendance or other academic outcomes. The state has seen improved attendance since implementing universal meals, but this comes on the heels of decreased attendance due to the pandemic. National studies of different versions of universal meals programs have shown mixed effects on attendance. Some studies showed universal meals had positive associations with attendance, while others showed no association.

State School Nutrition Program Supplements Federal Reimbursement. State law sets a state rate for free meals, which supplements the federal rate for free meals. For paid and reduced-priced meals, the state provides funds to match the combined state and federal rate for free meals. As **Figure 1** shows, free, reduced, and paid meals generate the same total reimbursement for LEAs. A meal reimbursed by the federal government at

Figure 1

Example of Combined Lunch Rates

2024-25, Dollars Per Meal



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the free rate receives the smallest amount of state funds, whereas a meal reimbursed at the paid rate receives the largest amount of state funds. The total reimbursement rate is adjusted annually by both the state and federal COLA. State funds are provided for the entirety of the state COLA. Increases in federal funding cover the full costs of applying the federal COLA to meals reimbursed at the free rate. To maintain the same total reimbursement rate paid meals, increases associated with the federal COLA are covered with a mix of federal and state funds.

Number of Meals Served Has Increased Since Universal Meals Implemented. In 2018-19, the last year of comparable data not impacted by the pandemic, the state served 816 million meals through the school nutrition program. This amount increased to 831 million meals in 2022-23, the first year of universal meals implementation, and 876 million meals in 2023-24. While the state has served an increased number of meals since universal meals implementation, the growth of breakfast meals served has been faster compared to lunches. In 2023-24, the state served 8.9 percent more breakfasts than it did in 2022-23. This compares to 3.6 percent more lunches during the same period. Over this same period, statewide average daily attendance has declined due to lower attendance rates and a decrease in the school age population.

State Funds Provided for School Meals Has Increased by a Much Larger Percentage. As a result of the implementation of universal meals, as well as a discretionary increase in the per-meal reimbursement rate in 2022-23, total state funding has increased significantly. In 2018-19, the state provided \$164 million for the state portion of school meals. This amount has grown to \$1.8 billion in 2023-24 (a 987 percent increase). Program costs have also consistently been higher than initially budgeted. Provisional language included in the budget since 2022-23 allows the Department of Finance to augment funding for school nutrition if expenditures are projected to exceed the amount budgeted. In each of the past three years, the state has made current-year augmentations to account for shortfalls in budgeted funding.

State Has Provided One-Time Funding for Many State Nutrition Program Initiatives Over the Past Few Years. From 2021-22 through 2023-24, the state has provided a total of \$865 million in one-time funding to support various nutrition initiatives. These augmentations include:

- **KIT Funds (\$750 Million).** The 2021-22 budget provided \$150 million one-time Proposition 98 to LEAs for kitchen upgrades (\$120 million) and food service staff training (\$30 million) to help implement the new state universal meal requirements. In 2022-23 the state provided an additional \$600 million for KIT. Roughly \$350 million of this amount was distributed to about 1,000 LEAs that opted into the funds. These funds were distributed proportionally based on the number of meals served. The remaining \$250 million was distributed to LEAs that committed to having at least 40 percent of their reimbursable meals freshly prepared on-site by 2023-24. These funds were distributed to 510 LEAs, or roughly half of total KIT grantees.
- **School Food Best Practices Fund (\$100 Million).** The 2022-23 budget package provided \$100 million for LEAs to implement various initiatives referred to as school food best practices. Specifically, LEAs could use funds to (1) purchase California-grown or produced foods that are sustainably grown, whole, or minimally processed; (2) purchase plant-based or restricted diet meals; and/or (3) freshly prepare meals on-site.
- **Commercial Dishwashers (\$15 Million).** The 2023-24 budget package provided \$15 million for LEAs to purchase or install commercial dishwashers for their nutrition programs. The grants were intended to reduce single-use plastic, such as to use reusable instead of disposable trays.

Governor's Proposals

Additional \$31 Million in the Current Year Based on Updated Projections. The Governor's budget includes an additional \$31 million one-time Proposition 98 General Fund in 2024-25 to cover an anticipated school nutrition shortfall.

This anticipated shortfall is largely due to higher meal projections. The administration projects the state will serve 921 million meals, an increase of 37 million meals (4 percent) compared to the meals assumed in the *2024-25 Budget Act*.

Additional \$84 Million Ongoing Beginning in the Budget Year, Largely Related to Federal COLA. For 2025-26, the Governor's budget increases school nutrition funding by \$84 million ongoing Proposition 98 General Fund compared to the 2024-25 budgeted level. Of this amount, \$31 million is associated with the anticipated shortfall in 2024-25 that is expected to carry forward into 2025-26. The remainder of the growth is primarily attributed to state costs associated with covering the anticipated federal COLA for meals at the paid rate. The Governor's budget assumes the number of meals served in 2025-26 will remain at the same levels as the revised 2024-25 estimate.

Additional \$22 Million Ongoing for State COLA. The Governor's budget also provides \$22 million ongoing Proposition 98 General Fund to provide a 2.43 percent COLA for school nutrition rates. This increases the state contribution for a free meal from 97.9 cents to \$1.00.

Funds Third Round of KIT Funds. The Governor's budget also provides \$150 million one-time Proposition 98 funding for grants to increase capacity for offering freshly prepared meals on-site. The intent is for these meals to use minimally processed, locally grown, and sustainable food. Of these funds, \$100 million is for kitchen infrastructure upgrades and \$50 million is for training or compensation for food service staff. Infrastructure funds could be used for a variety of purposes such as cooking equipment; facility upgrades; and equipment related to meal service, refrigeration, storage, or transportation. Funds would be distributed competitively using criteria to be developed by the California Department of Education (CDE). CDE is to prioritize LEAs that obligated at least half of the second round of kitchen infrastructure and training funds included in the 2022-23 budget package. CDE is also to prioritize LEAs that participate in certain provisions of federal nutrition programs. (These are generally LEAs with relatively high shares of students eligible for free and reduced-price

meals.) The training funds would be distributed via formula to LEAs based on the number of lunches served in October 2024. Funds could be used for professional development for food service staff to increase capacity for freshly prepared meals, or for additional compensation for additional work related to serving universal meals.

Assessment

Administration Likely Underestimates Number of Meals Served in Budget Year. We find the Governor's revised estimates for the number of meals served in 2024-25 to be reasonable. However, in our view, it is unlikely that the number of meals served will remain flat in 2025-26 as the administration assumes. Based on our analysis of recent meal growth trends, we estimate the state will serve 967 million meals, or 46 million (5 percent) above the administration's estimate in the budget year. This would cost an additional \$32 million compared to the amount the Governor proposes. (This estimate uses average daily attendance assumptions included in the Governor's budget.) In the coming months, the state will have more information regarding 2024-25 meal counts, which will inform meal projection estimates for 2025-26.

School Nutrition Programs are Still Spending KIT Funds. The first two rounds of KIT funding provided LEAs with flexibility to determine how they would use funds to increase their capacity to implement universal meals. Based on our conversations with CDE and LEAs, these funds supported a variety of project types, including large kitchen remodels, purchases of cooking equipment, and expansion of the number of meal service stations. Since the encumbrance deadline for the second round of KIT funds is June 30, 2025, LEAs have some time to determine how they will use these funds. Based on an informal survey conducted by CDE in January 2025, 70 percent of respondents had encumbered more than half of their KIT funds. Most LEAs (57 percent) were certain they would fully encumber funds by the June 30 deadline. Meanwhile, 33 percent were unsure if they were going to be able to fully encumber funds and 10 percent determined they would not be able to fully encumber funds by the deadline.

Reporting on KIT Spending Not Yet Available.

LEAs are required to report on how they used KIT funds to (1) improve the quality of school meals, (2) increase participation in the school meal program, and (3) increase the capacity for freshly prepared on-site meals. However, these reports are not due to CDE until June 30, 2025. Reports for the first round of KIT funds were previously due June 30, 2023, but the deadline was extended to 2025 because projects were taking longer than anticipated to complete. As such, the state cannot yet measure the effect of previous KIT funding on the capacity of LEAs to serve more meals. This makes it difficult for the Legislature to determine the extent to which additional funding for kitchen infrastructure is needed.

Capacity and Demand for Serving Freshly Prepared On-Site Meals Unclear. The state has little information on the existing capacity or interest level of LEAs to serve freshly prepared on-site meals. Roughly half of LEAs that received the second round of KIT funds opted into receiving funds specifically for implementing freshly prepared on-site meals, but we do not yet have any information regarding improvements in capacity that came from these funds or the remaining demand for additional funding. Depending on the LEA and how its nutrition program operates, there could be several barriers to serving freshly prepared on-site meals. For example, LEAs that primarily have a vendor prepare and deliver meals would need to significantly restructure their operations to serve more freshly prepared on-site meals. This would likely involve purchasing fresh ingredients, hiring more staff to prepare meals, expanding kitchen space, and developing menus. Limited infrastructure and equipment could also be key barriers for LEAs. For example, an LEA may need more storage space for ingredients and additional cooking equipment to serve more freshly prepared on-site meals.

State Has Funded Many Nutrition Initiatives, but Has Not Set Clear Priorities or Outcome Expectations. The state has funded many nutrition initiatives over the past several years. These include initiatives to serve more freshly prepared on-site meals, procure more California-grown food, and install commercial dishwashers to reduce single

use waste. Across the various initiatives funded in recent years, it is unclear if funding for freshly prepared meals should be a priority over other purposes within school nutrition, such as covering infrastructure upgrades necessary to implement universal meals. However, questions of this nature are difficult to answer as the funds provided for nutrition initiatives have typically lacked outcome expectations. For example, LEAs had to attest that 40 percent of meals would be freshly prepared on-site, but there is no monitoring to determine if the statewide share of freshly prepared meals has grown. Without specific expectations and associated outcome measures, the state does not have a clear picture on the extent to which previous initiatives have been successful in addressing key legislative priorities. Moreover, the lack of outcome measures makes it difficult to assess whether these school nutrition initiatives should take priority over other education purposes.

Recommendations

Recommend Providing More School Nutrition Funding in the Budget Year. While we find the administration's current-year estimates reasonable, we recommend increasing the amount allocated for the school nutrition program to \$1.98 billion in 2025-26, \$32 million above the amount the Governor proposes. In our view, this higher amount better reflects the likely costs in the budget year, as it is based on cost growth that is more consistent with recent trends in school meals served. As we note in our brief, *The 2025-26 Budget: Proposition 98 Guarantee and K-12 Spending Plan*, the Governor's budget includes \$7.8 billion in Proposition 98 spending proposals for schools. The state could accommodate the increased school nutrition costs by modifying one or more of these proposals.

Recommend Rejecting Third Round of KIT Funds. Given the lack of information available on how the first two rounds of KIT funds were used, we recommend the Legislature reject the third round of proposed KIT funding. The Legislature could evaluate if additional funding is merited in 2026-27, when more information on the uses of the first and second round of KIT funds will be available. If the Legislature decides to provide a third round of KIT

funds, it could consider removing the criteria that funds are used to increase capacity for freshly prepared on-site meals. This would allow funds to be used more generally to address the most pressing local school nutrition needs, such as increasing breakfast participation or reducing the length of time students wait in line to receive a meal.

Recommend Better Ongoing Data Collection Aligned With Statewide Nutrition Priorities.

If the Legislature continues to provide funds for specific nutrition initiatives, we recommend the state set goals associated with the funds and

collect statewide data to assess progress towards meeting these goals. For example, if serving freshly prepared meals on-site is a priority, the Legislature could set a statewide goal and measure progress by requiring LEAs to annually report the share of meals served that were freshly prepared. This additional data would help the Legislature determine whether to continue to dedicate resources to a specific priority, or if sufficient progress has been made such that the state could direct funding toward other priorities.

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This report was prepared by Sara Cortez, and reviewed by Edgar Cabral and Ross Brown. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.

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