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## FISCAL IMPACT REPORT

<b>SPONSOR</b> <u>Hamblen/Kernan/Diamond</u>	<b>LAST UPDATED</b> <u>3/11/2023</u>	<b>ORIGINAL DATE</b> <u>2/23/2022</u>
<b>SHORT TITLE</b> <u>Healthy Food Financing</u>	<b>BILL NUMBER</b> <u>Senate Bill 358</u>	
	<b>ANALYST</b> <u>Dick-Peddie</u>	

### APPROPRIATION\* (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY23	FY24		
	\$1,000.0	Recurring	General Fund

Parentheses ( ) indicate expenditure decreases.  
 \*Amounts reflect most recent analysis of this legislation.

Relates to appropriation in the General Appropriation Act

### Sources of Information

LFC Files  
 Feeding America

Responses Received From  
 Economic Development Department (EDD)  
 Department of Health (DOH)  
 New Mexico Livestock Board (NMLB)

## SUMMARY

### Synopsis of Senate Bill 358

Senate Bill 358 creates the Healthy Food Financing Program in the Economic Development Department (EDD), as well as the healthy food financing fund. EDD would administer the program in contract with a community development financial institution (CDFI) to support healthy food commerce and production as well as access to healthy food.

Senate Bill 358 appropriates \$1 million from the general fund to the newly created healthy food financing fund for the purpose of administering competitive grants or loans to make healthy food more accessible. Eligible projects include:

- New grocery store and food retail site construction;
- Store renovation, expansion and infrastructure upgrades proposed to improve the availability and quality of healthy food;
- Establishment of farmers' markets, farm stands, food cooperatives, community gardening projects and mobile food markets;

- Land-based food production and agricultural operations, controlled environment food production operations, value-added operations; and
- Food aggregation, processing and distribution projects, including hub distribution projects proposed to benefit local food producers and to improve food retailer access to fresh produce and healthy food.

Eligible costs would include:

- Site acquisition and preparation;
- Construction costs and property improvements;
- Equipment, supplies and furnishings;
- Associated and relevant infrastructure;
- Workforce training, certifications and licensing expenses;
- Predevelopment costs, including market studies and appraisals;
- Working capital for first-time inventory and start-up costs;
- Business process upgrades; and
- Brand development and marketing.

Eligible applicants would include political subdivisions of the state; Indian nations, tribes, and pueblos; and for-profit and nonprofit entities, including grocery stores.

Applicants would have to demonstrate a plan to provide adequate considerations to the state through food or support services to low-income communities for at least five years as well as promote job creation through the hiring of local residents in a manner representative of the community that the applicant proposes to serve. They must also show ability to implement the project, repay any relevant loan monies, accept state and federally funded nutrition incentive programs if relevant to their scope of work, and demonstrate their readiness to proceed, the project's financial soundness, and the project's ability to become economically self-sustaining.

The effective date of this bill is July 1, 2023.

## **FISCAL IMPLICATIONS**

The appropriation of \$1 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY24 shall not revert to the general fund. Although this bill does not specify future appropriations, multiyear appropriations, particularly if used to fund services, create an expectation the program will continue in future fiscal years; therefore, this cost could become recurring after the funding period.

The specific appropriation contained in the bill is not included in the HAFC substitute for House Bill 2; however, proposed Senate amendments to House Bill 2 include over \$35 million for food initiatives, including \$20 million for universal school lunches, \$700 thousand in the base operating budget of the Department of Finance and Administration to support food programs, \$7.5 million in nonrecurring appropriations, and \$20 million in capital outlay for kitchen and other food infrastructure for schools. The Public Education Department is also receiving \$7.5 million as a nonrecurring special appropriation for meal quality and food waste initiatives in schools.

## SIGNIFICANT ISSUES

According to Feeding America, in New Mexico, 315,990 people are struggling with hunger and 1 in 4 of them are children. Additionally, New Mexico's obesity rate is 31 percent according to America's Health Rankings. The Economic Development Department notes there is a capital gap in the "food financing ecosystem" and investment needs typically range from \$50 thousand to \$500 thousand for "viable but not fully bankable, mission-aligned New Mexico food and agricultural businesses in the early stage to growth stages, and/or those established businesses seeking to incorporate sustainable agricultural practices into their food system business models."

EDD also notes that making meaningful investments in the healthy food economy for "under invested" economies is dependent upon the department's ability to scale and develop the program to properly leverage funds. The department notes that as written, the legislation vests more power in the equitable food-oriented board than in the financial institutions, which could prevent the department from fully leveraging its financial expertise. EDD further states:

If EDD were able to successfully implement the provisions in this bill, it could increase access to fresh, healthy food targeting low-income areas; in turn, supporting commerce, community food infrastructure development, job creation and food and value-added production within the food and agricultural sector. If EDD were able to properly implement the provisions in this bill, it could increase access to fresh, healthy food targeting low income area; in turn, supporting commerce and production within the food industry. The act does not specify the members of the board will have significant understanding of underwriting criteria. There is a concern that too much responsibility is placed on the board instead of the financial institution which has experience and expertise judging credit criteria and feasibility of projects.

The New Mexico Livestock Board also notes that the legislation would complement the state Meat and Poultry Inspection Program, which could provide an avenue for local processors to establish businesses that incorporate meat and poultry products for intrastate sales.

In agency analysis, the Department of Health provides the following context on food accessibility in New Mexico and its disproportionate effect on minority communities:

New Mexico (NM) is a rural and culturally diverse state. Nearly all of NM's 33 counties are designated rural/frontier and underserved with large distances between central cities and outlying towns. Many NM communities lack adequate access to stores that sell fresh fruits and vegetables. 12.9 percent of NM households are food insecure, compared to 10.5 percent nationwide. 20.5 percent of NM school-age children live in poverty with limited access to healthy foods and nearly 70 percent of students receive free or reduced lunch at school. Individuals in low-income and food insecure communities can be especially vulnerable to obesity and subsequent chronic disease

There are barriers to, and disparities in, the accessibility and availability of foods that support healthy eating behaviors. Lack of access to nutritious fresh foods has a greater impact on members of racial and ethnic minority communities, residents of low-income communities, and those living in rural areas, especially older adults. Studies show a relationship between this lack of access and negative health outcomes including higher rates of obesity and diabetes.

Much of New Mexico is considered a food desert where access to healthy and affordable food choices is limited or nonexistent. In addition, rural and low-income communities often have a greater number of convenience stores that sell little or no fresh fruits and vegetables. Fresh food and other healthier items are often more expensive at convenience stores than in larger chain grocery stores and research shows low-income groups tend to choose foods that are cheap and convenient to access but are low in nutrient density.

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