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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/22/08

SPONSOR King LAST UPDATED \_\_\_\_\_ HB 164

SHORT TITLE Local Fruits & Vegetables In School Lunches SB \_\_\_\_\_

ANALYST Haug

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
	\$1,440.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Higher Education Department (HED)  
 New Mexico Department of Agriculture (NMDA)  
 Public Education Department (PED)  
 Department of Health (DOH)

### SUMMARY

#### Synopsis of Bill

House Bill 164 appropriates \$1,440.0 from the general fund to the Board of Regents of New Mexico State University for the New Mexico Department of Agriculture, in FY 2009 and subsequent fiscal years, to purchase New Mexico-grown fresh fruits and vegetables and to administer a program ensuring that the fresh fruits and vegetables are delivered to school lunch programs statewide.

### FISCAL IMPLICATIONS

The appropriation of \$1,440.0 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of any fiscal year shall not revert to the general fund.

A request in the amount of \$85,000 was submitted to the New Mexico Higher Education Department as part of the food services program within the New Mexico Department of Agriculture Department for review; it is not included in the Department's executive

recommendation for FY09. The NMHED FY09 executive funding recommendation for NMDA is continuance of FY08 recurring funding in the amount of \$11,184,900.

## **SIGNIFICANT ISSUES**

The NMDA states that:

- New Mexico growers and shippers of fresh fruits and vegetables are currently supplying up to six school districts with New Mexico grown produce from August through February. New Mexico producers are selling melons, apples, potatoes, tomatoes, carrots, peaches, pears, and salad greens seasonally. This program began in 2001 with one school district and is now in six school districts with sales in 2007 of approximately \$400,000.
- A study/business plan is not available to determine total usage and demand by the schools, purchasing criteria, availability of specific fruits and vegetables, identification of suppliers, packaging, and distribution channels.
- In 2007 study done by the NMDA, “farm to table” a New Mexico non-profit entity, and the congressional hunger center, a Washington, D.C. based organization surveyed 682 New Mexico farmers. One hundred fifty completed surveys were returned, resulting in a 22% response rate, of which 96 (64%) farmers indicated they would be interested in selling to local schools and institutions.
- Surveys were sent to 175 food service directors in the state representing most of New Mexico’s public, private, charter and bureau of Indian affairs school districts. Sixty responded, a 34% return rate. Fifty food service directors responded they would purchase from New Mexico farmers. Those directors represent 370 schools and 185,493 students, equaling 53% of New Mexico’s 348,820 K-12 students. More than 217,000 (62%) of New Mexico school children are eligible for free or reduced school lunches.
- New Mexico school food service directors have on average, \$1 to spend per child per school lunch that must meet United States department of agriculture school nutrition standards to provide five food options including milk. This legislation would provide 7 to 10 cents toward an additional serving of fresh fruits and vegetables per child statewide at least twice per week. When combined with the high level of food inflation of 5%, schools cannot afford to purchase additional quantities of healthy foods.
- Through private sector funding and public/private sector partnerships, a statewide business and distribution plan will be completed by 2009, in anticipation of the growth of this program.
- NMDA will need to acquire additional personnel, resources, or logistical expertise to purchase New Mexico fresh fruits and vegetables and deliver to schools statewide.
- NMDA works with the farmers, private entities, and the school nutrition bureau to coordinate transportation and distribution of New Mexico grown produce to schools throughout the state and to every school district.

- In FY 2008, the legislature appropriated \$85,000 to purchase fruits and vegetables for the lunch and snack program in 12 Albuquerque schools serving close to 6,000 students.
- In the future most public and private schools in New Mexico will require good agricultural practices (GAP) certification for suppliers of fruits, vegetables, and food products. The NM department of agriculture and NM state university offer GAP certification training to producers in New Mexico.

According to the PED,

The Human Services Department's strategic plan and the Governor's performance and accountability contract, "A Healthy New Mexico," seek to reduce child obesity and diabetes in all populations.

- Approximately 65 percent of New Mexico school lunch program participants come from low-income households, making school nutrition programs a logical place to promote healthier eating habits.
- Currently, most schools in New Mexico spend about 8-11 cents a serving for either canned or fresh vegetables.
- Funding enables schools to purchase New Mexico-grown products and serve more fresh fruits and vegetables to children, which supports the state's economic development.
- Finding suitable vendors or suppliers who will give schools a reliable supply of produce is a challenge for schools. Many purchase fruits and vegetables from food wholesalers or brokers.
- Produce must be graded and inspected according to existing local and state guidelines.

The DOH states that, increased fresh fruit and vegetable intake is one of the key strategies that the Department of Health (DOH) uses through the "Fruits & Veggies – More Matters" Program to prevent chronic diseases such as coronary heart disease, some cancers, obesity, and osteoporosis. Obesity and overweight disproportionately affect racial and ethnic minority groups, people living in rural communities and those with low incomes or low levels of education. The percentage of New Mexico's children who are obese and overweight is now 24% of the state's high school students. The Robert Wood Johnson Foundation has determined that risk of type 2 diabetes is now at 30% for boys and 40% for girls and is higher for Hispanic and Native American children.

GH/bb