

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website ([www.nmlegis.gov](http://www.nmlegis.gov)) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

SPONSOR Hall / Tripp ORIGINAL DATE 1/27/16  
LAST UPDATED \_\_\_\_\_ HB 189

SHORT TITLE NM-Grown Produce in School Meals SB \_\_\_\_\_

ANALYST Fernandez

### APPROPRIATION (dollars in thousands)

| Appropriation |           | Recurring<br>or Nonrecurring | Fund<br>Affected |
|---------------|-----------|------------------------------|------------------|
| FY16          | FY17      |                              |                  |
|               | \$1,440.0 | Recurring                    | General Fund     |
|               |           |                              |                  |

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Department of Agriculture (NMDA)

Public Education Department (PED)

### SUMMARY

#### Synopsis of Bill

House Bill 189 appropriates \$1.4 million from the general fund to the Public Education Department for expenditure in FY17 and subsequent years for the purchase and distribution of fresh, locally grown fruits and vegetables for school districts, charter schools, and juvenile detention centers through PED's school meal programs and for a full time employee to administer the program. Any unexpended balance remaining at the end of a fiscal year shall not revert to the general fund.

### FISCAL IMPLICATIONS

The appropriation of \$1.4 million contained in this bill is a recurring expense to the general fund. Any unexpended balance remaining at the end of a fiscal year shall not revert to the general fund.

According to PED, in FY15, funding appropriated in the amount of \$239.3 was distributed to all School Food Authorities participating in the National School Lunch Program on a per pupil basis and more than half went unspent. It is unclear why school districts and charter schools did not use the funds made available.

The appropriation contained in this bill would increase the current FY16 appropriation of \$364.3 for school purchase of New Mexico-grown produce. LFC recommended continuing this amount of funding for the program in FY17. The executive did not recommend funding the program in FY17.

PED's analysis notes that similar appropriations made for FY14 and FY15 led to difficulties with non-profit agencies who believed the appropriation was made for their use. PED states the department will follow the Procurement Code in executing this appropriation and will issue a request for application (RFA) or determine other criteria in which to provide funding, select sites, award sites, and review budgets and requests for payments submitted.

Finally, PED suggests the Legislature may wish to allow transportation costs to be part of the appropriation if the intent of the appropriation is to increase the availability of local produce statewide. Additional transportation costs for schools cannot be determined at this time, since sites have not been selected.

## **SIGNIFICANT ISSUES**

PED notes that appropriations made for FY14, FY15 and FY16 for the purchase of New Mexico-grown produce have never provided funding to coordinate the purchase of or the distribution of produce to areas of the state not adjacent to agricultural areas. Because the funding is for statewide purchase, PED has insisted that all areas of the state be served despite the fact that only a few rich agricultural areas exist in the state's geographic boundaries. New Mexico also has a short growing season, which hinders the availability of locally grown products during the winter season.

The GAA of 2013 included \$100 thousand that PED distributed to New Mexico schools equally to provide for the opportunity to purchase locally grown produce. That year, a total of 39 districts were allocated funding that benefitted 40,000 students. The GAA of 2014 included \$239.3 thousand that PED awarded to 44 school districts and charter schools that benefitted 186,400 students. The application process in FY15 was competitive, though PED notes that every school district and charter school that applied was awarded funding based on their student population. In 2015, \$364.3 was appropriated for New Mexico-grown produce. Funding was provided to each School Food Authority participating in the National School Lunch Program on a per pupil basis.

The New Mexico Department of Agriculture notes that the bill, if enacted, would offer New Mexico farmers' additional outlets for their farm products. Both large-scale and small-scale farms could take advantage of a program such as this and provide their operations with additional farm income and economic development opportunities. Evaluation of the availability of New Mexico grown produce of sufficient quantities to provide adequate supplies to the schools, on a year-round basis, should be conducted.

## **ADMINISTRATIVE IMPLICATIONS**

PED will be required to administer the program. The appropriation notes there is funding for 1 additional FTE

## **RELATIONSHIP**

Relates to the General Appropriation Act of 2016. The appropriation contained in this bill would increase the current FY16 appropriation of \$364.3 for school purchase of New Mexico-grown produce. LFC recommended continuing this amount of funding for the program in FY17. The executive did not recommend funding the program in FY17.

## **TECHNICAL ISSUES**

PED notes the following changes could help greatly in distributing the funding available:

- Direct the New Mexico produce funding to snacks and after-school programs. The United States Department of Agriculture (USDA) reimburses schools for meals served—not just ingredients for meals. Because of this, schools that request state reimbursement for New Mexico ingredients risk double-dipping. If the money is directed to programs not based on federal reimbursements for meal counts, the potential for double dipping is more easily resolved. Multiple after-school programs funded through federal 21<sup>st</sup> Century grants participate in after-school snacks with the National School Lunch Program (NSLP).
- Include funding for distribution and PED administration efforts.
- Clarify whether New Mexico produce must be certified as to origin and as to safe harvesting and storage practices and if so, by whom. Thus far, the PED has relied on schools to certify the origins of produce. However, it would be helpful for both farmers and schools if the state's agricultural extension services would establish, as they have done in the Espanola Valley, a certification system statewide. The optional certification system currently provides for safe harvesting practices and certification of authenticity.

## **OTHER SUBSTANTIVE ISSUES**

PED suggests the Legislature may consider direct funding to school districts, to the state's Agriculture Department or to the HSD's FANS Bureau with consultation from the PED.

CTF/jo