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FISCAL IMPACT REPORT

SPONSOR Hall ORIGINAL DATE 1/24/18
 LAST UPDATED 1/30/18 HB 62

SHORT TITLE NM-Grown Produce in School Meals SB _____

ANALYST Liu

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY18	FY19		
	\$400.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB 106

Duplicates an appropriation in HAFC substitute for HB2 and HB3

SOURCES OF INFORMATION

LFC Files

Responses Received From

Children, Youth and Families Department (CYFD)

Department of Agriculture (NMDA)

Department of Health (DOH)

Public Education Department (PED)

Regional Education Cooperatives Association (RECA)

SUMMARY

Synopsis of Bill

House Bill 62 appropriates \$400 thousand from the general fund to PED for expenditure in FY19 and subsequent years for the purchase and distribution of New Mexico-grown fresh fruits and vegetables for school districts, charter schools, and juvenile detention centers through PED's school meal programs.

FISCAL IMPLICATIONS

The appropriation of \$400 thousand 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.

In FY15, funding appropriated in the amount of \$239.3 thousand was distributed to all school food authorities participating in the National School Lunch Program (NSLP) on a per pupil basis and more than half went unspent. FY16 was similar, of the \$363.3 thousand appropriation, \$133.5 thousand was not spent. It is unclear why school districts and charter schools did not use the funds made available. In FY17, \$250 thousand was appropriated for New Mexico grown produce in FY17, which provided funding for 51 districts and charter schools. The funds were awarded through a request for application (RFA) and \$220.7 thousand was expended. PED notes the RFA distribution was more effective with a greater return on investment than the per pupil distribution used in the past.

According to PED, New Mexico currently receives approximately \$2.3 million from the U.S. Department of Agriculture (USDA) for the Fresh Fruits and Vegetables Program (FFVP). FFVP is a voluntary program that provides fresh fruit and vegetable snacks to students enrolled in elementary schools only. There are no requirements by USDA to purchase locally grown produce.

Participation in the FFVP occurs through an application process and the per pupil award amounts are based upon the free and reduced priced lunch percentages for the elementary school. Funding for the New Mexico-grown fresh fruit and vegetable program in this bill allows participation at all school grade levels. This flexibility permits any New Mexico student to benefit from the program if they are enrolled in a participating school district, charter school, or juvenile detention facility.

The HAFC substitute for HB2 and HB3 includes a \$200 thousand recurring appropriation for the New Mexico-grown fresh fruits and vegetables program.

SIGNIFICANT ISSUES

In 2017, PED noted that appropriations in past fiscal years for the purchase of New Mexico-grown produce never provided funding to coordinate the purchase or 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 only a few rich agricultural areas existing within the state's geographic boundaries. New Mexico has a short growing season, which hinders the availability of locally grown products during the winter season.

The General Appropriation Act (GAA) of 2013 included \$100 thousand that PED distributed to New Mexico schools equally to purchase locally grown produce. That year, a total of 39 districts received funding, and the program benefitted 40 thousand students. The GAA of 2014 included \$239.3 thousand that PED awarded to 44 school districts and charter schools, which benefitted 186.4 thousand students. The application process in FY15 was competitive, though PED notes every school district and charter school that applied was awarded funding based on their student population. In 2015, \$364.3 thousand was appropriated for New Mexico-grown produce. Funding was provided to each school food authority participating in NSLP on a per pupil basis. In 2016, \$250 thousand was appropriated for New Mexico-grown produce, providing funding for 51 districts and charter schools. Funds ranged from \$100 to \$63.1 thousand.

PED's 2017 analysis noted that similar appropriations made over the past few years led to difficulties with non-profit agencies who believed the appropriation was made for their use. PED

stated the department would follow the Procurement Code in executing this appropriation and would 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. PED suggested the Legislature authorize reimbursement of transportation costs in the appropriation 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.

PERFORMANCE IMPLICATIONS

DOH indicates this bill is related to the NM Department of Health 2017-2019 Strategic Plan: Result 1: Improved Health Status for New Mexicans.

PED indicates this bill supports the agency's strategic plan, "Kids First New Mexico Wins", Ready for Success strategic lever ensuring that all students are ready to learn by reinforcing the linkage between healthy meals and lifestyles and academic success.

ADMINISTRATIVE IMPLICATIONS

PED notes, many of the smaller growers in the state do not accept purchase orders. This may limit the number of growers that can benefit financially from the New Mexico-grown program. In addition, this could provide limitations on the options available for school districts, charter schools and juvenile detention centers.

DUPLICATION

This bill duplicates Senate Bill 106. Additionally, the HAFC substitute for HB2 and HB3 includes a \$200 thousand recurring appropriation for the New Mexico-grown fresh fruits and vegetables program.

TECHNICAL ISSUES

PED recommends on page one, line 19, after "vegetables," add "grown, authenticated, handled and stored by growers with a New Mexico food handlers certificate."

PED's 2017 analysis recommended the following changes to help distribute available funding:

- Direct New Mexico produce funding to snacks and after-school programs. The U.S. 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 21st Century grants participate in after-school snacks with 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

A 2017 NMDA analysis indicated an appropriation for New Mexico-grown produce would offer 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. NMDA recommended an evaluation on the availability of New Mexico grown produce of sufficient quantities to provide adequate supplies to the schools, on a year-round basis.

DOH notes state farm to school legislation is on the rise across the country. As of March 31, 2017, 46 states and the District of Columbia (D.C.) have passed laws supporting farm to school activities. Significantly more American Indian children in New Mexico experience childhood obesity than any other racial or ethnic group. In 2016, nearly one in two (48.7 percent) American Indian third grade students were either overweight or obese, with 27.1 percent of American Indian third grade students reported as obese, compared to 22.8 percent of Hispanic and 9.2 percent of White third graders.

(New Mexico Childhood Obesity 2016 Update, <https://nmhealth.org/data/view/chronic/2043/>).

A 2017 DOH analysis noted:

- Eating a diet high in fruits and vegetables is associated with a decreased risk of many chronic diseases, including obesity, heart disease, stroke, high blood pressure, diabetes and some cancers.
- There is evidence of the interrelationship between health and academic achievement. Numerous studies have shown students participating in school breakfast or lunch programs had improvement in grades, standardized test scores and school attendance. After adding specific nutrients (fruits, vegetables and dairy products) that were previously missing from students' diets, their academic performance improved.
- Only 23.8 percent of NM middle and high school students eat the recommended level of at least five fruits and vegetables a day (NM Youth Risk & Resiliency Survey, 2011, <http://youthrisk.org/>).
- The prevalence of obesity in NM children continues at high rates and is occurring at younger ages. In 2015, 25.6 percent of kindergarteners and 34.4 percent of third graders living in New Mexico were either overweight or obese (New Mexico Childhood Obesity Update, 2015, <https://nmhealth.org/data/view/chronic/1861/>). Obesity and overweight prevalence rates continue to remain high across grades and genders in NM public elementary schools. In 2015, more than one in four kindergarten students (25.6 percent) were overweight or obese. Prevalence rates were significantly higher among third graders; over one in three (34.4 percent) was overweight or obese. Third grade students measured in 2015 were sampled from roughly the same general birth group as the 2012 kindergarten sample.
- Over 14 percent of kindergarten students were obese in 2012 and by 2015, 18.9 percent of students in this birth group (now third graders) were obese. This significant (29 percent) upward shift in obesity prevalence between kindergarten and third grade highlights the continued need to address and prevent excessive weight gain and support healthy eating and active living behaviors at an early age.
- Emerging research suggests that farm-to-school programs increase fruit and vegetable purchases and intake when produce was included in a school salad bar or as part of the

meal selection during the school day (<http://dx.doi.org/10.1080/19320240802244025>).
<http://www.farmentoschool.org/resources-main/statelegisativesurvey>

- Farm to school enriches the connection communities have with fresh, healthy food and local food producers by changing food purchasing and education practices at schools and preschools. Students gain access to healthy, local foods as well as education opportunities such as school gardens, cooking lessons and farm field trips. Farm to school empowers children and their families to make informed food choices while strengthening the local economy and contributing to vibrant communities.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

PED notes USDA already requires a certain amount of fruits and vegetables to be included in school meal programs. Students would still be served the recommended amounts, however they may not be fresh fruits and vegetables or grown in New Mexico.

SL/sb/jle