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FISCAL IMPACT REPORT

SPONSOR Martinez ORIGINAL DATE 2/10/15
LAST UPDATED _____ HB _____

SHORT TITLE Create Statewide Food Infrastructure SB 486

ANALYST Clark

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		
	\$1,400.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

New Mexico Department of Agriculture (NMDA)

SUMMARY

Synopsis of Bill

Senate Bill 486 appropriates \$1.4 million from the general fund to the Economic Development Department (EDD) to support agricultural and food entrepreneurs in creation of a statewide food infrastructure to connect rural producers to consumers.

FISCAL IMPLICATIONS

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

SIGNIFICANT ISSUES

The bill does not define statewide food infrastructure, making it difficult to determine exactly how the funding will be used if appropriated. The bill provides significant flexibility to EDD to make that determination, but without any definition, it is possible EDD's interpretation might not match the legislative intent.

EDD provided the following information in its analysis that provides details of how the agency

might use the funding.

Like business incubators, commercial kitchens can play a key role in the empowerment of low income individuals because they provide opportunities for entrepreneurs to launch their businesses without investing in a lot of capital during startup stages. Rural commercial kitchens assist local entrepreneurs while improving the communities where they are established. They also improve the availability and quality of local products and provide strong networks among local producers. Rural entrepreneurs can create jobs, raise incomes, and generate wealth while helping to improve the quality of life and wellbeing of the community. Kitchens also provide a market for local growers. During difficult economic times, the number of small food-related businesses tends to increase as more people look for alternative ways to support their families.

The Mixing Bowl is the commercial kitchen program within the South Valley Economic Development Center, the first incubation facility to be certified by the state of New Mexico. This unique program provides training, mentoring, market development, and networking between the facilities it assists. A 2012 study conducted by NMSU indicated that 60 companies were using the kitchen, 40 businesses had graduated to larger production facilities, and 120 businesses were in the process of getting product on grocery shelves.

The combination of mentorship, access to buyers, and resolving delivery issues makes this initiative unique and uniquely successful. Identifying buyers and overcoming the difficulties of getting product into a Whole Foods or other grocery is often daunting to an entrepreneur working alone. When these issues are removed, rural kitchens have a much better chance of sustainability.

PERFORMANCE IMPLICATIONS

EDD allocated \$100 thousand in FY15 to partner with the Mixing Bowl program to assist nine communities with kitchen programs in various stages of development. The communities will receive technical assistance customized to their individual situations. The agency reports it has created a pipeline of providing funding to kitchens that are ready to assist entrepreneurs and feasibility studies/business plan development for others in the planning stages, and continued funding for the program will allow additional kitchens to receive assistance and advance their programs and entrepreneurial development.

ADMINISTRATIVE IMPLICATIONS

The administrative impact would be very minimal as EDD already administers a business incubator program and assists in the development of new, rural commercial kitchens.

ALTERNATIVES

The bill could either make the appropriation to the New Mexico Department of Agriculture (NMDA) or require EDD to work with NMDA in the creation of a statewide food infrastructure. NMDA currently works with rural producers to connect them with consumers in a variety of ways. Current programs and efforts of the NMDA marketing and development division include:

- Food service and marketing specialists working with producers and processors in rural

and urban New Mexico to create and expand markets for their products in local, national, and international markets.

- Providing funding assistance to producers to examine value-added opportunities through the agricultural developments and promotion funds program.
- Providing cost-share trade-show assistance to companies wishing to connect with potential retail and foodservice buyers, brokers, and wholesalers.
- Providing cost-share advertising assistance to New Mexico producers and processors in order to create consumer awareness.
- Administering pass-through state legislative funding to statewide farmers' markets to promote locally grown food and other agricultural products directly to consumers.
- Administering federal funds for projects that are aimed at helping connect rural and urban agriculture to consumers (United States department of agriculture's specialty crops block grant program and federal state marketing improvement program).
- Administering a statewide logo program (NM--Taste the Tradition® and Grown with Tradition®) that brands New Mexico agricultural products and creates consumer awareness of those New Mexico grown and processed products.

JC/bb