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FISCAL IMPACT REPORT

SPONSOR Nava DATE TYPED 2-9-05 HB _____

SHORT TITLE Permits for Food Sales in Certain Schools SB 595

ANALYST Collard

APPROPRIATION

| Appropriation Contained | | Estimated Additional Impact | | Recurring or Non-Rec | Fund Affected |
|-------------------------|------|-----------------------------|---------------|----------------------|---------------|
| FY05 | FY06 | FY05 | FY06 | | |
| | | | See Narrative | | |

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

| Estimated Revenue | | Subsequent Years Impact | Recurring Or Non-Rec | Fund Affected |
|-------------------|-----------|-------------------------|----------------------|-----------------------|
| FY05 | FY06 | | | |
| | \$4,000.0 | Unknown | Recurring | Student Wellness Fund |

(Parenthesis () Indicate Revenue Decreases)

Duplicates HB 681
Relates to HB 61

SOURCES OF INFORMATION

LFC Files

Responses Received From
Department of Health (DOH)
Public Education Department (PED)
State Treasurer's Office (STO)

SUMMARY

Synopsis of Bill

Senate Bill 595 establishes a permit system for the sale of certain food and drink in public schools. The permits would be issued by DOH for an annual fee depending on the type of public school. Fees would be \$250 for an elementary school, \$500 for a middle school and \$750 for

any school that contains a high school. The fees will be phased in based on the expiration date of current vending contracts. Revenue would be deposited into a newly created Student Wellness Fund in the state treasury. Money in the fund would be subject to appropriation by the Legislature for school-based health centers (SBHC) and child nutrition and wellness activities. Exempt from the bill are nonprofit organizations temporarily selling food or drink in public school such as PTAs, booster clubs, etc.

Significant Issues

DOH notes the bill provides a mechanism to begin to regulate the kinds of foods that are sold in schools that compete with the school lunch and breakfast programs. Regulation of “vended” or “competitive” foods is being addressed by many states due to the concern about the high sugar, fat and caffeine content of such foods and the crisis of obesity in this country. Establishing a vendor permit system provides a mechanism for requiring improved nutritional standards for vended food. These standards would be promulgated through rules in the departments of health and public education. Revenue from the vendor permits would be used to support SBHCs and school nutrition and wellness activities.

PED indicates SBHCs are friendly and easily accessible locations on a school campus where students go for health care services and SBHCs are designed to integrate medical and behavioral health services.

FISCAL IMPLICATIONS

The proposed program will be funded through permit fees placed on vendors. Vendors will have to purchase a permit from DOH for \$250 for an elementary school, \$500 for a middle school, and \$750 for a high school. While DOH indicates the eventual balance in the created student wellness fund is unknown at this time, PED estimates approximately \$4 million in the fund at the end of FY06 for appropriation through the Legislature for SBHCs or wellness activities.

STO notes the created fund is a nonreverting fund and interest earned from investments shall be credited to the fund.

DOH notes the department would incur costs to set up and monitor a vendor permit system and provide an application process for use of the fund revenue.

ADMINISTRATIVE IMPLICATIONS

Current staff in the DOH Office of School Health would develop programmatic procedures for use of the fund and a mechanism for distributing funds to schools.

STO also notes increased administrative responsibilities.

DUPLICATION, RELATIONSHIP

Senate Bill 595 duplicates House Bill 681. Additionally, it relates to House Bill 61 that proposes rules be developed regarding foods and beverages sold and distributed in public schools, outside of school meal programs, to students. The rules would be developed by PED in collaboration with school districts, nutrition professionals, and other interested persons.

OTHER SUBSTANTIVE ISSUES

DOH's research of national data indicates the incidence of overweight and obesity is at epidemic proportions among students. In addition, more than 10 percent of two- to five year-old children and 15 percent of six- to nineteen year-olds are overweight – double and triple the incidence 20 years ago. Addressing the epidemic of obesity in the United States and in New Mexico requires a multifaceted approach, improving the nutritional content of foods sold in schools is an important first step. Foods sold in school vending machines are typically high in fat, added sugar and caffeine. The department notes this bill would provide a leverage point, the vendor's permit, for regulating the types of foods that can be sold in schools.

The bill relates to House Bill 61 that requires PED to set standards for all foods sold in schools. These standards would be established by regulation rather than statute as nutritional standards change with some frequency and regulation could be more easily adapted to reflect current understanding of nutrition. The permit system would allow for consistent improvement in vended foods across the state by establishing standards for food and drink that vendors must meet in order to obtain their permit. At present a handful of school districts in New Mexico have required food vendors to meet locally approved standards; Gallup Independent School District is an example.

KBC/njw