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FISCAL IMPACT REPORT

SPONSOR SFC ORIGINAL DATE 03/11/21
LAST UPDATED _____ HB _____
SHORT TITLE Healthy Food Financing Act SB 229/SFCS
ANALYST Martinez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
EDD		\$100.0	\$100.0	\$200.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

Office of the Attorney General (OAG)

SUMMARY

Synopsis of Bill

The Senate Finance Committee substitute for Senate Bill 229 establishes the Healthy Food Finance Act which would create a program administered by the Economic Development Department (EDD) in contract with a community development financial institution (CDFI) to support healthy food commerce and production as well as access to healthy food. The CDFI would grant and/or loan money to eligible businesses and nonprofit projects in the food industry recommended by an equitable food-oriented development advisory board.

The advisory board would consist of 5 members appointed by the EDD cabinet secretary and administratively attached to the department. The board would meet quarterly to review project applications. They would make final decisions on which projects to fund and for what amounts. The board is also responsible for reviewing eligibility for each project.

EDD would administer and provide oversight to the program and enter a contract with a CDFI. The CDFI would operate the program. With EDD and the board's oversight, the CDFI would develop program parameters, guidelines, marketing and operations of the program. Additionally, the selected contractor would underwrite projects, monitor compliance with the act, and assess economic effects within each relative community.

Eligible projects would include:

- New grocery store construction;
- Store renovation, expansion and infrastructure upgrades to improve availability of quality healthy food;
- Establishment of farmers' markets, food cooperatives, community gardening projects and mobile food markets;
- Food aggregation, processing and distribution projecting; and
- Analysis and study of methods to increase market opportunities for project that promote access to healthy food.

Eligible costs would include:

- Site acquisition and preparation;
- Construction costs, property improvements;
- Equipment and furnishing;
- Workforce training;
- Predevelopment costs;
- Working capital for first time inventory and startup costs;
- Business process upgrades; and
- Marketing.

Eligible applicants would include political subdivisions, Indian nations, tribes, pueblos, for profit and nonprofit entities. Applicants would have to show ability to implement the project, repay any relevant loan monies, accept the federal supplemental food assistance payments (SNAP), be self-sustaining and promote hiring of local residents for at least 5 years.

Additionally, the projects could also qualify by demonstrating they are increasing access to affordable healthy food, 30 percent of their retail space would be dedicated to perishable food, or expanding capacity of their perishable food sales.

There is a special preference for supporting projects which show they will be serving low-income or moderate-income communities.

EDD is responsible for monitoring the program and reporting to the Legislative Health and Human Services Committee on project impacts.

The effective date of this bill is July 1, 2021.

FISCAL IMPLICATIONS

SB229/SFCS does not contain an appropriation. The bill will have a significant fiscal impact on EDD; however, EDD stated that the funding of \$100 thousand provided in SB377 will be enough to cover the operating costs if SB229/SFCS is enacted. The operating costs of \$100 thousand includes the costs to hire one full time employee to administer the program.

SIGNIFICANT ISSUES

The Economic Development Department provided the following:

According to Feeding America, in New Mexico 315,990 people are struggling with hunger

and 1 in 4 of them are children. Additionally, New Mexico’s obesity rate is 31% according to America’s Health Rankings.

If EDD were able to properly implement the provisions in this bill, it could increase access to fresh, healthy food targeting low income area; in turn, supporting commerce and production within the food industry.

The act does not specify the members of the board will have significant understanding of underwriting criteria. There is a concern that too much responsibility is placed on the board instead of the financial institution which has experience and expertise judging credit criteria and feasibility of projects.

PERFORMANCE IMPLICATIONS

EDD stated that the Department will be able to implement and meet performance metrics by hiring one additional staff person as noted in the fiscal implications and administrative implications section of the FIR.

ADMINISTRATIVE IMPLICATIONS

The Economic Development Department provided the following:

EDD would be responsible for administering the program; however, the department’s staff is at full capacity. It would be necessary for EDD to hire at least one FTE to support this program. The operating budget impact is based on the cost of on mid-level FTE (salary plus benefits), which would be the minimum necessary to implement this program.

TECHNICAL ISSUES

Office of the Attorney General provided the following:

1. Section 4D was unclear in the original bill. SB229/SFCS has addressed the concern below.
 - a. Consideration should be made to change “documentation of” to “documentation supporting.”
2. Section 4D2 was unclear in the original bill. SB229/SFCS has addressed the concern below.
 - a. Might be best to change to something along the lines of “likelihood that the project will become self-sustaining” or “the ability for the project to become economically self-sustaining” is not a very clear sentence and should be adjusted.
3. Section 6D5 (now 5D5) was vague in the original bill. SB229/SFCS has addressed the concern below.
 - a. “Area” is vague and should be further defined.

OTHER SUBSTANTIVE ISSUES

Office of the Attorney General provided the following:

In the absence of public funding, it is not clear what incentive community financial institutions shall have to participate in the Healthy Food Financing Program.

AMENDMENTS

Office of the Attorney General recommended the following amendment recommendations:

3(A) (8) – Recommend changing from “assess any economic effects in each community in which a project for which a grant or loan is made pursuant to the Healthy Food Financing Act is located” to “assess any economic effects of projects for which a grant or loan is made pursuant to the Healthy Food Financing Program upon each community where such projects are located.”

JM/sb