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FISCAL NOTE

Drafting Number: LLS 19-0775	Date: February 5, 2019
Prime Sponsors: Rep. Buentello Sen. Coram	Bill Status: House Rural Affairs
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Bill Topic: SCHOOL INCENTIVES TO USE COLORADO FOOD & PRODUCERS

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input checked="" type="checkbox"/> School District

The bill creates two grant programs in the Colorado Department of Education to promote the use of Colorado food products in school meal programs. The bill increases state expenditures beginning FY 2019-20 on an ongoing basis.

Appropriation Summary: The bill requires an appropriation of \$504,304 and 1.7 FTE to the Colorado Department of Education.

Fiscal Note Status: This fiscal note reflects the introduced bill.

**Table 1
State Fiscal Impacts Under HB 19-1132**

		FY 2019-20	FY 2020-21	FY 2021-22
Revenue	Total	-	-	-
Expenditures	General Fund	\$504,304	\$1,616,239	\$2,687,214
	Centrally Appropriated	\$21,185	\$26,256	\$26,256
	Total	\$525,489	\$1,642,495	\$2,713,470
	Total FTE	1.7 FTE	2.0 FTE	2.0 FTE
Transfers		-	-	-
TABOR Refund	General Fund	-	-	-

Summary of Legislation

This bill creates two grant programs to encourage the purchase of Colorado products for use in federally subsidized meals in public schools and residential child care centers.

Colorado Food Products Purchasing Incentives Grant Program. This bill creates the purchasing incentive grant program in the Colorado Department of Education (CDE) to encourage local education providers (LEPs) or residential child care centers to purchase Colorado grown, raised, and processed products for school meal programs. Eligible grant recipients must be participants in the National School Lunch Program, which subsidizes public schools for the expense of providing low-cost or free school meals to qualified students. The State Board of Education (SBE) may adopt rules for the program, and the CDE may monitor to ensure program integrity, and to annually reallocate money among eligible participants to maximize the amount of grants awarded. No later than December 1, 2021, and biennially thereafter, the CDE must submit a report to the General Assembly concerning the effect of the incentives and the amount of Colorado products purchased.

Application and reporting - baseline year. No later than December 1, 2019, or before December 1 of any year, an eligible participant may apply to the CDE to be included in the incentive program. No later than August 1 of the year following this initial application, an eligible participant must track and report the total amount of Colorado grown, raised, and processed products it purchased, the total amount of value-added processed products it purchased, the total amount of all products purchased, and the total number of lunches served to students.

Application and reporting - subsequent years. No later than each December 1 following the initial application, an eligible participant must apply to continue in the incentive program. No later than August 20 of each year thereafter, the participant must report the total amount of Colorado grown, raised, and processed products purchased for student meals, and the total number of lunches provided to students.

Primary incentive. In October 2020, and each October thereafter, the CDE must reimburse participants for the amount spent on Colorado grown, raised, and processed products used in the meal program, up to a maximum available amount. The maximum incentive is equal to the number of school lunches provided, divided by the total number of lunches provided by all participants, multiplied by the total appropriation for primary incentive grants.

Participants may not be reimbursed for the amount of value-added processed products exceeding 25 percent of total products purchased. Value-added processed products refers to food products that were altered from their unprocessed or minimally processed state through preservation techniques including cooking, baking, or canning.

Increase purchase incentive. Beginning with the 2020-21 school year, eligible participants may receive an increase purchase incentive of \$0.01 for every lunch served in the prior school year if the percentage of Colorado products purchased for meals increased by two percent or more over the previous year, or if the percentage of products purchased for meals was at least 50 percent or more of all products purchased in the previous year.

Bonus purchase incentive. Beginning with the 2020-21 school year, eligible participants may also receive a bonus incentive of \$0.01 for every lunch served in the prior school year if the percentage of products purchased for meals was at least 50 percent or more of all products purchased in the previous year.

Colorado Purchasing Technical Grant Program. This bill also creates a technical grant program in the CDE to select a statewide nonprofit organization to develop and manage a grant program to assist with the promotion of Colorado grown, raised, and processed products to eligible school meal providers.

The nonprofit organization may award grants for training, technical assistance, and physical infrastructure to eligible providers, agricultural trade associations, or other organizations that aggregate Colorado food products from producers. Grants may support development of regional food systems, chef training on food handling and procurement practices, small kitchen equipment purchases, good agricultural practices, certification costs, good handling practices, and training on selling to schools, among other qualified activities.

Program evaluation. The nonprofit organization must annually evaluate the program and report on the amount of grants awarded, the number of participating school districts, the amount spent on Colorado products for school meals, a breakdown of the product categories purchased, and the impact on producers, and on state and regional economies.

Data & Assumptions

The estimates in this fiscal note are based on the following data and assumptions:

- Based on a statewide needs assessment conducted by the CDE and the results of a national survey, approximately 40 percent of school districts in Colorado currently purchase local food products to serve in school meal programs.
- During the 2017-2018 school year, about 59.5 million school lunches were served, and 40 percent of these (about 23.8 million) were prepared with some amount of Colorado purchased products.
- The incentives in HB19-1132 will increase the number of eligible providers that purchase local food products, and the overall use of local food products in meal programs in future years.
- The CDE will create the school meal purchasing grant program and take applications for participation in FY 2019-20. The first year of incentive payments to reimburse participants for actual purchases of Colorado products will be FY 2020-21. Based on a similar program in Oregon, \$0.05 per meal is required for primary incentive reimbursements in year one. The additional \$0.01 purchase incentive and \$0.01 bonus purchase incentive will not be paid until FY 2021-22 and beyond.

State Expenditures

The bill increases state expenditures by about \$525,500 and 1.7 FTE in FY 2019-20, by about \$1.6 million and 2.0 FTE in FY 2020-21, and by about \$2.7 million and 2.0 FTE in FY 2021-22 and thereafter. New expenditures are displayed in Table 2 and discussed below.

**Table 2
Expenditures Under HB 19-1132**

	FY 2019-20	FY 2020-21	FY 2021-22
Department of Education			
Personal Services	\$93,283	\$124,368	\$124,368
Operating and Capital Outlay	\$11,021	\$1,900	\$1,900
Computer Programming	\$100,000	-	-
Technical Grant Program	\$300,000	\$300,000	\$300,000
Purchase Incentive Payments	-	\$1,189,971	\$2,260,946
Centrally Appropriated Costs*	\$21,185	\$26,256	\$26,256
Total Cost	\$525,489	\$1,642,495	\$2,713,470
Total FTE	1.7 FTE	2.0 FTE	2.0 FTE

* Centrally appropriated costs are not included in the bill's appropriation.

Personal services. The CDE requires additional staff beginning in FY 2019-20 to implement the two grant programs. The school purchasing grant program requires that the department and the SBE adopt program rules, create an application and review process, monitor and verify participant eligibility, provide technical assistance trainings to prepare eligible school lunch providers to participate, and administer payments. In FY 2019-20, the department must also manage an RFP process to select and oversee one or more non-profit organizations to administer a second grant program. Personal services costs in FY 2019-20 are prorated to reflect the bill's effective date and for the General Fund pay date shift.

Computer programming. Information technology upgrades are required to streamline the application process for the purchasing incentive grants, and to assist with data tracking, submissions, and verification of school meal programs. An existing vendor contract can be amended for a one-time cost of \$100,000 in FY 2019-20 only.

Technical grant program. Based on a similar assistance program administered by the department to support equipment grants in school lunch programs, the cost of grants for one or more nonprofit organizations to assist with agricultural producers with marketing and additional financial supports to eligible school meal programs is estimated at \$300,000 annually, beginning with FY 2019-20.

Purchase incentive payments. The bill increases expenditures for incentive payments to schools and childcare facilities beginning with FY 2020-21, following a baseline year for participants to apply and track their purchasing. Primary incentives for the first year participants are estimated at about \$1.2 million. This is based on an estimated 23.8 million meals reimbursed at \$0.05 each. Primary incentives plus increased participation and bonus incentives are estimated at about \$2.3 million. This is based on an increase to 41.6 million meals reimbursed at \$0.05 and bonus incentive payments of \$0.01 for 75 percent of the first year participants. As more school lunch providers choose to participate, and as overall purchasing of Colorado products increases, payments are expected to increase.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$21,185 in FY 2019-20 and \$26,256 in FY 2020-21 and FY 2021-22.

School District

Participating school districts and residential childcare centers will track and report detailed purchase information to the CDE and are eligible for additional state subsidies and technical assistance for their meal programs.

Effective Date

The bill takes effect August 2, 2019, if the General Assembly adjourns on May 3, 2019, as scheduled, and no referendum petition is filed.

State Appropriations

For FY 2019-20, the bill requires a General Fund appropriation of \$504,304 and 1.7 FTE to the Colorado Department of Education.

State and Local Government Contacts

Agriculture Education Human Services School Districts