



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0716	Title:	Local food education and market grant program
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Primary Sponsor:	Jopek, Mike	Status:	As Introduced
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|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of Fiscal Impact: HB 716 establishes a local foods grant program in the Department of Agriculture to help Montana schools develop relationships with local farmers and producers. HB 716 would earmark \$1.0 million in the 2009 biennium in revenues the Montana Agriculture Development Council receives from the Montana Growth Through Agriculture Act in Title 90, Chapter 9, MCA, to the new program.

FISCAL ANALYSIS

Assumptions:

Department of Agriculture (AGR)

- HB 716 will require the Montana Agricultural Development Council to set aside \$1.0 million of the total money appropriated for the Montana Growth Through Agriculture Act (GTA) in Title 90, chapter 9, to be used for local food grants to help Montana schools develop relationships with local farmers and producers, and for food processing entities and local food cooperatives that process locally grown farm products for school and institutional markets.

2. HB 716 will require the council to consult with the Superintendent of Public Instruction to develop specific criteria and application forms for the grants.
3. HB 716 will require the director of the Department of Agriculture (AGR) and the council to work with existing programs and organizations to develop and implement educational opportunities for farmers and food producers to increase their markets.
4. This bill will require the AGR to report to the legislature on or before December 1, 2009, regarding: legislative strategies to encourage the use of locally grown foods in Montana schools; the effectiveness of the U.S. department of agriculture food commodities distribution program; the effectiveness of the local foods grant program; and the development and effectiveness of school nutrition policies.
5. The money appropriated to the GTA in Title 90, chapter 9, is limited by both the appropriation and the cash available. The GTA is funded from three sources: the coal severance tax shared account; the seed capital account; and the interest income from the coal severance tax permanent fund. With the passage of HB 2, the projected expenditures for the 2009 biennium are estimated to be \$3,822,430. Approximately \$3.0 million of the projected expenditures are for grants and loans to enhance the future development of agriculture in Montana including projects in areas such as renewable energy, fiber processing, research, and agro-tourism.
6. The council currently awards approximately 30 grants and loans per year or 60 per biennium. It is anticipated that approximately 55 grants will be processed for local food and food processing grants (fifty \$15,000 grants to local food grants and five \$50,000 grants to food processing entities) and 40 grants or loans (\$2.0 million divided by \$50,000 grants or loans) to seed capital projects, market development, applied technological research, and agricultural development in the 2009 biennium, or a total of 95 council awards.
7. The department currently averages two applications for every grant or loan awarded. It is anticipated that the 40 grants or loans for agricultural development would result in 80 applications. Per Section 1 (2) the local food grants would be available to any schools, school districts, consortium of schools, or consortium of school districts. The Montana Office of Public Instruction's 2006-2007 Directory of Montana Schools lists over 439 public school districts; over 14 nonpublic accredited schools; and many more private schools. It is very likely that the department could receive over 400 applications for the 50 local food grants available to be awarded. Over the biennium, the department GTA staff could be expected to review over 500 applications. An increase of over 500%.
8. The Montana Agricultural Development Council established in 2-15-3015, MCA, will increase their workload by over 500%. Five of seven members are appointed by the governor and actively engaged in agriculture. Locating interested volunteers, scheduling council meetings, and retaining interested volunteers for three years will be challenging.
9. Administrative costs will increase significantly due to the addition of new grant criteria and application forms specific to the local foods grant program (new administrative rules will be adopted and registered with the Secretary of State at \$50 per page), the increase in the number of grant applications, the increase in the number of awards processed, the educational requirements, and the increased staff time set aside for the data collection necessary to meet the reporting requirements in Section 3.
10. Dollars available for grants for agricultural development and research programs will decrease as administrative costs rise.
11. Revenue to the general fund may decrease as \$1.0 million will be set aside for grants and not available for loans with repayment provisions.
12. There will be no fiscal impact to the department as the appropriations and cash available for the GTA are restricted. The GTA will experience a shifting of the appropriation allocations between personal services, operating expenses, and grants; the result being a decrease in dollars available for the development of innovative agricultural business organizational improvements and the commercialization and marketing of new agricultural products in order to keep pace with a transforming agricultural industry.

Department of Commerce (DOC)

13. The Montana Agriculture Development Council grants \$90,000 each fiscal year to the Department of Commerce in accordance with 90-9-401 and 90-9-402, MCA, for the purposes of assisting in funding the State of Montana trade offices located in Kumamoto Japan and Taipei Taiwan, providing technical and marketing assistance to exporters, assistance for trade missions, and enhancing domestic markets for Montana agricultural products. For the purposes of this fiscal note it is assumed the Department would continue to receive the \$90,000 annual grant from the Montana Agriculture Development Council to support the aforementioned efforts. Based on these assumptions there would be no fiscal impact to the Department of Commerce.

Technical Notes:

Department of Agriculture

1. There are at least three federal grant programs available to increase the dollars available to schools to assist them in nutritional education and getting local foods to the schools (Team Nutrition training grants, Community Food Project grants, and Farm to Cafeteria grants).
2. Section 3 (2) requires the AGR to audit and report on the effectiveness of the U.S. Department of Agriculture food commodities distribution program. The AGR currently does not have access to the data necessary to compile this report or the authority to audit the federal government.
3. New section 1(2) provides grants to a "school, school district, consortium of schools, or a consortium of school districts." A school of a district does not have legal authority to be the grant recipient, and the law does not provide for a consortium of schools. A school district or consortium of school districts does have legal authority to apply for and accept a grant award.

Sponsor's Initials

Date

Budget Director's Initials

Date