

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1492

(Delegate Hayes, *et al.*)

Environment and Transportation

Finance and Education, Health, and
Environmental Affairs

Housing and Community Development - Food Deserts - Small Loans

This bill authorizes the Business Development Program within the Department of Housing and Community Development (DHCD) to provide small loans (of up to \$50,000 per loan) for food desert projects. Loans may be provided to an approved entity for assistance in providing better access to healthy food in food deserts, including by providing loans for refrigerators, freezers, and other equipment. DHCD may work with intermediaries to administer the loans. In addition, the bill authorizes DHCD to meet the current funding obligation for sustainable communities and food deserts by using any financial assistance available to the department that is authorized to be used for the projects.

Fiscal Summary

State Effect: DHCD can implement the bill's changes with existing budgeted resources. Revenues are likely not materially affected.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law/Background:

Business Development Program

The Neighborhood Business Development Program, operating publicly as Neighborhood BusinessWorks (NBW), provides grants and loans to community-based economic development activities in revitalization areas designated by local governments. The program is available to businesses located in priority funding areas (PFAs) and sustainable communities.

Historically, NBW was a gap financing program; however, Chapter 482 of 2016 authorized the program to finance 100% of project costs in addition to offering loan guarantees and credit enhancements to banks and community development financial institutions. Maximum funding levels increased from \$500,000 per project to \$5 million per project. Loans are made on a rolling basis, and projects are underwritten based on sound financial criteria. Loan terms range from 5 to 15 years, with interest rates based on market conditions and risk analysis.

DHCD must reserve at least the lesser of \$5.0 million or the annual capital appropriation to the Neighborhood Business Development Fund to make financial assistance available to projects in sustainable communities. The Governor's proposed fiscal 2018 capital budget includes \$5.0 million for the program, including \$3.1 million in general obligation bond revenues and \$1.9 million in loan repayments.

Food Deserts

Chapter 228 of 2014 established the Interagency Food Desert Advisory Committee to (1) advise and make recommendations on the development and adoption of regulations related to food desert projects; (2) make recommendations to the Secretary of Housing and Community Development on applications for designating an area as a food desert; and (3) make recommendations for interagency coordination to reduce the number of food deserts and promote healthy food access for Maryland neighborhoods. On the recommendation of the advisory committee, the Secretary may designate an area as a food desert. Factors the Secretary must consider when making a designation include (1) the availability of healthy foods in the area; (2) income levels of local residents; (3) transportation needs of local residents and the availability of public transportation; (4) comments from local governments; and (5) any other factors that DHCD considers relevant. "Food desert" means the part of a PFA designated by the Secretary based on those factors.

A small business, nonprofit organization, or microenterprise may apply for financial assistance for a project in a food desert. An applicant may qualify for financial assistance in a food desert if the application includes a plan to seek out sources of Maryland-grown produce and Maryland-produced foods, in addition to specified application requirements.

Supplemental Nutrition Assistance Program Retailer Regulations Final Rule

In December 2016, the U.S. Department of Agriculture (USDA) announced final changes to increase access to healthy food choices for participants in the Supplemental Nutrition Assistance Program (SNAP). The provisions in the rule require SNAP-authorized retail establishments to offer a larger inventory and variety of healthy food options. Previously, a retailer could be authorized to participate in the program with a minimum inventory of 12 items. Under the rule, the number of required food items is expanded to a minimum of 84.

Current SNAP-authorized stores have until January 17, 2018, to comply with the new rule. New applicant stores are expected to stock the required minimum of 84 items starting May 17, 2017. The bill is intended to assist retailers who may be affected by the rule change.

Exhibit 1 shows the number of items required under the new requirement compared to the old requirement.

Exhibit 1
SNAP Retailer Standards

	<u>Number of Staple Food Categories</u>	<u>Number of Staple Food Varieties per Category</u>	<u>Number of Stocking Units per Variety</u>	<u>Total Number of Food Items Required</u>
New Requirement	4	7	3	84
Old Requirement	4	3	1	12

Source: U.S. Department of Agriculture; Department of Legislative Services

Under the SNAP retailer standards:

- The four “staple food” categories are (1) vegetables or fruits; (2) dairy products; (3) meat, poultry, or fish; and (4) bread or cereals.
- “Variety” means different kinds of products in each of the four staple food categories. Variety is usually defined by the main ingredient or kind of product. Under long-standing USDA policy, different brands, formats, flavors, or types of the same product are not considered different varieties. Apples, carrots, and pears are considered three different varieties in the vegetables or fruits staple food category, but tomato sauce, tomatoes, and 100% tomato juice are only considered one variety in the vegetables or fruits staple food category (tomato).
- A “stocking unit” is a can, a bag, or whatever standard package size a product is usually sold in.

Small Business Effect: Small businesses that are located in food deserts and meet requirements established by DHCD may be able to obtain loans under the bill for which they might not otherwise qualify. Thus, such businesses benefit as a result of the bill. However, the Department of Legislative Services advises that DHCD is not *required* to provide small loans for food desert projects under the bill. Rather, the bill simply authorizes DHCD to make small loans to such businesses if it chooses to do so. In addition, the overall amount of financial assistance provided by DHCD under NBW is not affected by the bill; thus, to the extent DHCD provides small loans for food desert projects under the bill, it provides fewer loans to other entities.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): U.S. Department of Agriculture; Department of Housing and Community Development; Department of Legislative Services

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Analysis by: Eric Pierce

Direct Inquiries to:
(410) 946-5510
(301) 970-5510