

Date of Hearing: June 26, 2024

ASSEMBLY COMMITTEE ON AGRICULTURE

Esmeralda Soria, Chair

SB 1419 (Rubio) – As Amended April 23, 2024

SENATE VOTE: 37-0

SUBJECT: Food deserts: grants

SUMMARY: This bill would establish the Food Desert Elimination (FDE) Grant Program; which would provide a tax credit incentive for grocery stores to open in areas defined as a food desert. This bill would also establish the Food Desert Elimination Fund in the General Fund and would authorize monies from the fund be used, upon appropriation, to run the program. Specifically, **this bill:**

- 1) Establishes the FDE Grant Program, to be administered by the California Department of Food and Agriculture (CDFA).
- 2) Establishes criteria under which CDFA may award grants to a grocery store seeking to locate in a food desert. These include:
 - a. A market and site feasibility study.
 - b. Salaries and benefits to grocery store employees.
 - c. Rents or down payments to acquire a facility located in a food desert.
 - d. Capital improvements, planning, renovations, land acquisition, demolition, and durable and nondurable equipment purchases.
 - e. Other costs determined by CDFA.
- 3) Creates the FDE Fund in the General Fund to provide monies to CDFA for the promulgation of the program.
- 4) Requires CDFA to adopt regulations to implement the program no later than January 1, 2026.
- 5) Defines the following:
 - a. “Food desert” to mean a food desert as determined by the Economic Research Service within the United States Department of Agriculture.
 - b. “Grocery store” to mean a retail store in California of over 15,000 square feet that is a retail seller of groceries, as described in Code 445110 of the North American Industry Classification System published by the United States Office of Management and Budget, 2022 edition.
- 6) Allows a qualified taxpayer that hires a qualified full-time employee and pays or incurs qualified wages attributable to work performed by the qualified full-time employee, a credit against the net tax, as defined in Section 17039 of the Revenue and Taxation Code.
 - a. Establishes definitions pertaining to this section.

EXISTING LAW:

- 1) Establishes the Office of Farm to Fork within the CDFA and requires the office to work with various entities to increase the amount of agricultural products available to underserved communities and schools in California (*Food and Agricultural Code Section 49001*).
- 2) Establishes the CalFresh program to administer the provision of federal SNAP benefits to families and individuals meeting certain criteria, as specified (*Welfare and Institutions Code Section 18900*).
- 3) Requires the California Healthy Food Financing Initiative Council to implement an initiative to expand access to nutritious food in underserved, urban, and rural communities and to eliminate food deserts in California (*Health and Safety Code 104660*).
- 4) Defines food deserts as both low-income areas and ones in which more than a third of the population lives over a mile from a grocery store/supermarket.
- 5) Establishes under federal law the “Supplemental Nutrition Assistance Program” (SNAP) pursuant to the Food Stamp Act of 1964. (*7 United States Code Section 2011*).

FISCAL EFFECT: This bill would result in a cost pressure to provide grant funding. The magnitude is unknown, but at a minimum would be in the millions of dollars (General Fund). The California Department of Food and Agriculture (CDFA) would incur first-year costs of \$358,000, and \$352,000 annually thereafter, to administer the grant program (General Fund).

COMMENTS: According to Northwestern’s Institute for Policy Research, one in five Californians are food insecure despite living in the state that produces nearly half of the country’s fruits and vegetables. On August 8, 2023, Cal Matters published a report titled “How hungry is California? Millions struggle to eat well in an abundant state.” Among other issues, the report discusses the possible outcomes of not having consistent access to healthy food options including, but not limited to, developmental delays in children, obesity, chronic illness, anxiety, and depression. All of these results will affect a child’s ability to perform well in school or an adult to be able to contribute to the community in a healthy, positive way.

The USDA Economic Research Service states that there are many ways to measure food store access for individuals and for neighborhoods, and many ways to define which areas are low-income and low access—neighborhoods that lack healthy food sources. Their website provides the following:

“Most measures and definitions consider at least some of the following indicators of access:

- Accessibility to sources of healthy food, as measured by distance to a store or by the number of stores in an area;
- Individual-level resources that may affect accessibility, such as family income or vehicle availability; and

- Neighborhood-level indicators of resources, such as the average income of the neighborhood and the availability of public transportation.”

“In the Food Access Research Atlas, several indicators are available to measure food access along these dimensions. For example, users can choose alternative distance markers to measure low access in a neighborhood, such as the number and share of people more than one-half mile to a supermarket or 1 mile to a supermarket. Users can also view other census-tract-level characteristics that provide context on food access in neighborhoods, such as whether the tract has a high percentage of households far from supermarkets and without vehicles, individuals with low income, or people residing in group quarters.”

The California FreshWorks Fund (CAFWF) is a public-private partnership loan fund created to (1) increase access to healthy food in underserved communities; (2) spur economic development that supports healthy communities; and (3) inspire innovation in healthy food retailing. The \$264 million fund provides financing for grocery stores and other forms of healthy food retail and distribution by providing flexible capital to eligible applicants. Some loans can be packaged with companion grants.

According to the author, Currently in California, there is not a financing mechanism to assist healthy food retail outlets to expand offerings to food insecure residents in food desert areas. This critical bill will create the Food Desert Elimination Act of 2024, which would establish a fund for grocery store operators who want to open a store in a designated food desert to help address food insecurity and poverty issues for our most vulnerable or at risk communities across the state. It is imperative to ensure our underserved communities receive access to healthy food options, especially those who live in food deserts. Research suggests that establishing a grocery store in low-income neighborhoods will have positive impacts on community health and well-being and will benefit our local economies. The fund, which will be able to leverage federal dollars, will help eliminate food deserts and increase affordability and access to fresh groceries in underserved areas.

Supporters state, this bill presents a critical opportunity to alleviate food insecurity and improve the lives of millions of Californians. In April of 2023, following a rescinding of the supplemental SNAP allotments, food insecurity resurged and by October 2023, more than 1 in 5 families became food insecure. Over 3 million households, including more than 1 million households with children, now face food insecurity in California, as reported by the California Association of Food Banks. Despite California's status as a major producer of fruits and vegetables, many communities still lack access to fresh and affordable food. The existence of food deserts, where residents have limited or no access to supermarkets or grocery stores, is a glaring issue that demands immediate attention. In 2016, the California Endowment worked on a grant project to bring grocery stores to food desert areas. Three grocery stores were awarded \$7 million each for the startup costs to open a grocery store. To this day, with the help of tax credits and grants, all three grocery stores are still operating. This bill offers a promising solution by incentivizing the establishment and continuation of grocery stores in food desert areas.

REGISTERED SUPPORT / OPPOSITION:

Support

American Diabetes Association
California Grocers Association
City of Long Beach
City of Riverside
City of San Jose

Opposition

None on file.

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