A BILL TO BE ENTITLED
AN ACT TO ENACT THE CORNER STORE INITIATIVE ACT TO ASSIST HEALTHY FOOD SMALL RETAILERS.

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 106 of the General Statutes is amended by adding a new Article to read:

"Article 62B. Healthy Food Small Retailer Act.

§ 106-755.5. Healthy Food Small Retailer Fund.

(a) Findings. – The General Assembly finds the following:

(1) Overweight children and adults are at greater risk for numerous adverse health consequences, including type 2 diabetes, heart disease, stroke, high blood pressure, high cholesterol, certain cancers, asthma, low self-esteem, depression, and other debilitating diseases. In North Carolina, over sixty-five percent (65%) of adult residents were considered overweight or obese and over thirty-one percent (31%) of children were considered overweight or obese. Obese children are at least twice as likely as non-obese children to become obese adults.

(2) The medical costs of obesity are rising rapidly in the United States and are estimated to be one hundred forty-seven billion dollars ($147,000,000,000) per year. Roughly half of these obesity-related costs are paid by Medicare and Medicaid, indicating taxpayers bear the majority of the cost for obesity-related medical care. Obesity-related health care spending accounts for eight and one-half percent (8.5%) of Medicare spending, eleven and eight-tenths percent (11.8%) of Medicaid spending, and twelve and nine-tenths percent (12.9%) of private payer spending.

(3) Many Americans, particularly those in low-income neighborhoods, rural areas, and communities of color, live in communities that lack adequate access to full-service grocery stores. Low-income areas have more than twice as many convenience stores and four times as many small grocery stores as high-income areas. Proximity to convenience stores within a neighborhood is associated with higher rates of obesity and diabetes.

(4) Research indicates that small food stores sell little fresh produce, whole grains, and low-fat dairy products but sell larger quantities of foods that are

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high in fat and low in nutrients. Small food stores regularly charge higher prices for food as compared to grocery stores and supermarkets.

(5) Providing assistance to existing small food retailers to stock fresh produce and other healthy foods and promote good nutrition can provide residents with access to healthier foods. Community programs that work with these small food retailers have shown promise in increasing healthy food sales, improving store offerings, and promoting good nutrition.

(6) Efforts are currently underway between the Department of Agriculture and the Department of Health and Human Services to utilize existing retail outlet infrastructure to facilitate access to and increase consumption of nutrient-dense foods in order to improve overall health and reduce public medical care costs.

(b) Purpose. – The program established pursuant to this section is intended to provide a source of funding and assistance for small food retailers operating in the State, in both urban and rural areas, with the goal of increasing availability and sales of fresh fruits, vegetables, and other nutrient-dense foods at affordable prices to local residents and improving the diet and health of local residents, especially in food desert zones.

(c) Fund. – The Healthy Food Small Retailer Fund is created as a restricted reserve in the Department of Agriculture and Consumer Services. Funds in the Fund do not revert but remain available to the Department for food desert relief purposes.

(d) Definitions. – The following definitions apply in this section:

(1) Business. – A corporation, sole proprietorship, cooperative association, partnership, S corporation, limited liability company, nonprofit corporation, or other form of business organization, located either within or outside this State.

(2) Department. – The Department of Agriculture and Consumer Services.

(3) Food desert relief. – Moneys allocated to a county or regional public health department to provide funds, equipment, or other assistance to a small food retailer located in a food desert zone to enable the small food retailer to carry and sell nutrient-dense foods.

(4) Food desert zone. – A census tract that has been identified by the Economic Research Service of the United States Department of Agriculture as meeting each of the following criteria:

a. The tract has a poverty rate of twenty percent (20%) or greater or has a median family income at or below eighty percent (80%) of the median family income for the State.

b. The tract has at least 500 persons or at least thirty-three percent (33%) of the population who, for a metropolitan area, live more than one mile from a grocery store or healthy, affordable food retail outlet store or, for a nonmetropolitan area, more than 10 miles from a grocery store or healthy, affordable food retail outlet store.

(5) Nutrient dense food. – A food that has high levels of nutrients in relationship to the number of calories the food contains. The term includes fresh vegetables and fruits, whole grains, nuts, seeds, beans and legumes, low-fat dairy products, lean meats, and seafood.

(6) Small food retailer. – A business that is a small retail outlet, including corner stores, convenience stores, cooperatives, and bodegas, of no more than 5,000 heated square feet that sells a limited selection of foods and other products.

(e) Designation. – Upon application of a county, the Commissioner of Agriculture shall make a written determination whether an area is a food desert zone, as defined in this section.

A determination under this section is effective until December 31 of the year 10 years
following the year in which the determination is made. The Department shall publish annually a list of all food desert zones with a description of their boundaries. The application required by this subsection shall include all of the following:

(1) A map showing the census tracts and block groups that would comprise the zone.

(2) A detailed description of the boundaries of the area that would comprise the zone.

(3) Detailed census information on the county and the proposed zone.

(4) A resolution of the board of county commissioners requesting the designation of the area as a food desert zone.

(5) Any other material required by the Commissioner of Agriculture.

(f) Administration. – The Department shall develop guidelines providing for the administration of the program and selection of recipients of food desert relief. The Department may use up to ten percent (10%) of funds appropriated to the Fund to administer the Fund. The guidelines developed shall include the following provisions, which shall apply to food desert relief awards from the Fund:

(1) The local health department may contract with another state agency or program or local nonprofit organization to provide services funded under this subdivision. The funds shall be used only for the following:

a. Amounts to a local health department or contractor to purchase and install at a small food retailer refrigeration equipment, display shelving, and other equipment necessary for stocking nutrient-dense foods. Total funding under this sub-subdivision may not exceed fifteen thousand dollars ($15,000) per small food retailer.

b. Amounts to a local health department or contractor to be given to a small food retailer to offset initial expenses related to participating in food desert relief efforts. Total funding under this sub-subdivision may not exceed one hundred dollars ($100.00) per small food retailer.

c. Amounts to a local health department to cover salaries and associated costs of either employees or contractors providing technical assistance to small food retailers on nutrient-dense food safety and handling, nutrition education, and business operations and promotion related to nutrient-dense food inventory.

(2) In determining disbursements of moneys from the Fund, the Department shall consider the level of need in the area to be served.

(3) The Department shall establish monitoring and accountability mechanisms for recipients.

(4) Funds may be used only for assistance of small food retailers in food desert zones.

(5) Small food retailers receiving moneys from the Fund must accept or agree to accept Supplemental Nutrition Assistance Program benefits.

(6) Recipients must provide defined objectives, standards, and accountability mechanisms to ensure that expenditure of moneys from the Fund are consistent with this section, including (i) submitting a plan describing specific goals for increasing the sales of nutrient-dense foods by small food retailers, engaging the community to support participating small food retailers, and establishing standards to assess whether goals are being met and (ii) recruiting county, municipal, and other agencies to provide expertise, support, and coordination of efforts to support small food retailers.
(g) Agreements. – Funds may be disbursed from the Healthy Food Small Retailer Fund only in accordance with agreements entered into between the State and one or more local health departments as set forth in this subsection and between a local health department and a small food retailer as set forth in subsection (h) of this section. Agreements between local health departments and retailers must contain, at a minimum, the following provisions:

1. Specifications for the stocking, promotion, and sales of nutrient-dense foods by retailers, procedures, and schedules for required actions by retailers and disbursement of funds by the local health department.
2. A provision requiring recapture of equipment provided to a small food retailer if the small food retailer subsequently fails to comply with the terms of the agreement for a period of not less than five years following receipt of the equipment.
3. A provision allowing a small food retailer receiving equipment pursuant to this section to purchase the equipment for a nominal amount five years following receipt of the equipment.
4. A provision encouraging the small food retailer to contract with local producers of available nutrient-dense foods.

(h) Local Food Desert Relief Agreement. – An agreement between the State and one or more local health departments shall specify, at a minimum, procedures for recapture by the State of funds improperly disbursed and for access by the State to records of the local health department necessary to determine compliance by (i) small food retailers with the agreements required by subsection (g) of this section and (ii) local health departments with the agreement required by this subsection.

(i) Disbursement of Funds. – Funds may be disbursed from the Healthy Food Small Retailer Fund to the local health department only after the local health department has demonstrated that the retailer has complied with the terms of the retailer performance agreement. The State shall disburse funds allocated under the Healthy Food Small Retailer Fund to a local health department in accordance with the disbursement schedule established in the agreement.

(j) Reports. – The Department shall publish a report on the use of funds in the Healthy Food Small Retailer Fund on or before April 30 of each year. The Department shall submit the report electronically to the Joint Legislative Oversight Committee on Health and Human Services, the House and Senate appropriations committees with jurisdiction over agriculture and natural and economic resources, and the Fiscal Research Division. The report shall include the amount of funds disbursed, the geographic distribution of disbursements, and an evaluation of the outcome of the disbursements, including the health impact associated with the funding.

(k) Guidelines. – The Department shall develop guidelines related to the administration of the Healthy Food Small Retailer Fund and to the selection of projects to receive allocations from the Fund. At least 20 days before the effective date of any guidelines or nontechnical amendments to guidelines, the Department must publish the proposed guidelines on the Department’s Web site and provide notice to persons who have requested notice of proposed guidelines. In addition, the Department must accept oral and written comments on the proposed guidelines during the 15 business days beginning on the first day that the Department has completed these notifications. For the purpose of this section, a technical amendment is either of the following:

1. An amendment that corrects a spelling or grammatical error.
2. An amendment that makes a clarification based on public comment and could have been anticipated by the public notice that immediately preceded the public comment.

SECTION 2. This act is effective when it becomes law.