



TACIR

The Tennessee Advisory Commission
on Intergovernmental Relations



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MEMORANDUM

TO: Commission Members

FROM: Cliff Lippard *Cliff*
Executive Director

DATE: 13 December 2018

SUBJECT: Public Chapter 795, Acts of 2018 (Food Deserts)—Draft Report for Review
and Comment

The attached Commission report is submitted for your review and comment. It was prepared in response to Public Chapter 795, Acts of 2018, which directed the Commission to study the benefits and costs of creating a special reserve fund in the state treasury for the sole use of funding grants and loans to encourage the financing and development of supermarkets, grocery stores, and farmers markets in food deserts, whose residents tend to have a less nutritious diet and poorer health outcomes than those living in other communities. In Tennessee, 21% of the state's population lives in areas considered food deserts—15% in urban food deserts and 6% in rural food deserts, under the federal definition used in the report. While not always limited to food deserts, a variety of policy alternatives have been implemented in states and communities around the US to both improve access to and encourage the consumption of healthy food, including improving transportation to and from healthy food retailers, bringing the food to the customer through mobile markets or food delivery, providing vouchers for fruits and vegetables, emphasizing education to encourage healthy eating, and offering grants to give residents healthier options for food and exercise.

Since 2004, only 12 states have passed legislation creating healthy food financing programs—10 of these have appropriated their own funds to finance the development of food retailers in food deserts. Eight of the 12 states directed state agencies to award and distribute grants, loans, or both. The other four states chose private entities known as community development financial institutions (CDFI) to award and distribute grants and loans.

The primary barrier to opening grocery stores in many food deserts is that expected revenues are not great enough relative to costs. To offset startup or renovation costs for grocery stores or similar food retailers located in food deserts, governments and private entities have offered grants, loans, or other incentives. The grants and loans proposed in Public Chapter 795, Acts of 2018, would have been funded by a percentage of the revenue generated by the existing sales tax on food collected from the sale of sugar-sweetened beverages, which was estimated to generate approximately \$26,000 per year.

Research has not consistently demonstrated that simply opening new or expanding existing stores results in measureable improvements in diet and health or reduces the actual costs of obtaining healthy foods for residents of food deserts. Without an emphasis on education and community outreach, just being closer to nutritious food may be less likely to lead to citizens purchasing, properly preparing, and consuming it. The draft report recommends that **given the costs of opening and renovating grocery stores and other similar food retailers and the complex relationship between improved access to healthy food sources and measurable improvements in diet and health, state efforts should focus on leveraging the variety of public and private resources that are already available to assist communities in crafting solutions tailored to local needs. A state program for encouraging the development of grocery stores and other food retailers in food deserts may not be necessary, but if Tennessee were to adopt such a program, the state should**

- **structure the program as a public-private partnership with one or more CDFIs, or similar entities, to take advantage of existing federal programs and to maximize private investment and**
- **incorporate consumer education and outreach into the program.**