

MAINE STATE LEGISLATURE

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SMG
R. of S.

Majority

L.D. 1431

Date: 3/28/14

(Filing No. S-4(u))

AGRICULTURE, CONSERVATION AND FORESTRY

Reproduced and distributed under the direction of the Secretary of the Senate.

STATE OF MAINE

SENATE

126TH LEGISLATURE

SECOND REGULAR SESSION

COMMITTEE AMENDMENT "A" to S.P. 517, L.D. 1431, Bill, "An Act To Support School Nutrition and Expand the Local Foods Economy"

Amend the bill by striking out all of the preamble (page 1, lines 1 to 4 in L.D.)

Amend the bill by striking out everything after the enacting clause and before the emergency clause and inserting the following:

Sec. 1. 7 MRSA §306-A, sub-§2, as enacted by PL 1999, c. 72, §5, is amended to read:

2. Fund operation. The commissioner shall utilize the agricultural development fund to:

A. Provide grants to individuals, firms or organizations to conduct market research or to undertake market promotion activities for the purpose of expanding existing markets and developing new markets for state agricultural products; and

B. Test and demonstrate new technologies related to the production, storage and processing of state agricultural commodities; and

C. Provide local foods grants to Maine-based individuals, firms or organizations under section 320-B, subsection 1 to conduct market feasibility studies, in diverse geographic areas of the State if possible, to identify the demand for and pricing, logistical parameters and availability of minimally processed fresh foods grown in this State, and of seafood grown or harvested in this State for aggregated and institutional markets, including school food service programs.

Sec. 2. 7 MRSA §306-A, sub-§3, as amended by PL 2013, c. 64, §1, is further amended to read:

3. Rulemaking. The commissioner shall establish, by rule, in a manner consistent with Title 5, chapter 375, subchapter 2-A criteria for the allocation of grant money, application requirements consistent with the provisions of this section and section 320-B, a schedule for accepting and reviewing applications, reporting requirements on grant expenditures and project results and any other administrative requirements necessary for

COMMITTEE AMENDMENT

1 the efficient implementation of this program. Rules adopted pursuant to this subsection
2 are major substantive rules as defined in Title 5, chapter 375, subchapter 2-A. The
3 commissioner is guided by the following criteria:

4 A. Applications may be submitted by individuals, firms or organizations in response
5 to a request for proposals for competitive grants. The commissioner may also contract
6 directly with individuals, firms or organizations for a special project under section
7 307;

8 B. A percentage of the total cost of any project must be funded by the applicant or
9 applicants and a percentage of the total cost must be funded from nonpublic sources.
10 These percentages must be established by rule. A single grant may not exceed 50%
11 of the total funds available to be granted in a given year;

12 C. Information relative to market research or development activities provided to the
13 commissioner prior to formal application, included in grant applications or provided
14 to the commissioner to fulfill reporting requirements, is confidential information and
15 may not be publicly disclosed by the commissioner as long as:

16 (1) The person to whom the information belongs or pertains has requested that
17 certain information be designated as confidential; and

18 (2) The commissioner has determined that the information gives the person
19 making the request opportunity to obtain business or competitive advantage over
20 another person who does not have access to the information or will result in loss
21 of business or other significant detriment to the person making the request if
22 access is provided to others; ~~and~~

23 D. When possible, the commissioner shall award grants to applicants representing
24 diverse agricultural enterprises and geographic areas of the State; and

25 E. The commissioner shall consider administrative requirements necessary for local
26 foods grants under section 320-B, subsection 1, including a definition of "minimally
27 processed foods," the allocation of grant funds, application requirements consistent
28 with the provisions of chapter 10-C, a schedule for accepting and reviewing
29 applications and reporting requirements on grant expenditures and project results.

30 **Sec. 3. 7 MRSA c. 10-C** is enacted to read:

31 **CHAPTER 10-C**

32 **LOCAL FOOD HUB PROGRAM**

33 **§320-A. Definitions**

34 As used in this chapter, unless the context otherwise indicates, the following terms
35 have the following meanings.

36 **1. Local food.** "Local food" means food produced or harvested by a Maine food
37 producer as defined by section 212, subsection 2.

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§320-B. Local food hub program; grants and loans

The commissioner shall issue grants under section 306-A for the purpose of conducting market feasibility studies and developing business plans for local food hubs in this State to connect and enhance relationships between fresh food producers in the State and aggregated and institutional markets, including school food service programs. The commissioner shall issue low-interest loans under subsection 2 and section 435 for the development and operation of local food hubs in this State based on how well the local food hubs' business plans, as reflected in competitive applications, serve to connect and enhance relationships between fresh food producers in the State and aggregated and institutional markets, including school food service programs.

1. Local foods grants. The commissioner shall award at least one grant each of no more than \$30,000 to applicants based in this State to conduct market feasibility studies and develop business plans for local food hubs. An applicant must demonstrate:

A. The capacity to research aggregated and institutional markets' demand for and pricing, logistical parameters and availability of fresh and minimally processed foods produced in this State;

B. Expertise related to the market feasibility study and the capacity to create and implement business plans for local food hubs located in this State if the applicant is applying for a local food hub loan under subsection 2; and

C. A commitment to the requirements of the United States Department of Agriculture with regard to meals provided in schools.

The intent of a market feasibility study and business planning process supported by grant funds must be to serve local farms. A business plan must be crafted to maximize the benefits to farms that supply the local food hub and to minimize, if not remove, any negative effects of a new local food hub on existing farm operations. The commissioner may not award a grant under this subsection to an applicant unless matching funds from the applicant are available in an amount that is no less than 50% of the grant amount.

2. Local food hub loans. The commissioner shall award local food hub loans from the Agricultural Marketing Loan Fund established under Title 10, section 1023-J in accordance with the provisions of section 435 to applicants in diverse geographic areas of the State for the purpose of establishing local food hubs in this State. Prior to awarding a loan under this subsection, the commissioner shall determine that the potential overall impact of the application to the agricultural economy and agricultural industry in this State is beneficial to and in the best interest of the agricultural industry and well-being of the State. Applications for loans under this subsection must include business plans that examine economic impacts and are based on the market studies completed under subsection 1 or equivalent market knowledge. An application must demonstrate:

A. That the application is based on sound business and financial principles;

B. That the applicant is able to locate and obtain food from growers based in this State and, where feasible, fisheries in this State, and has the capacity to handle the logistics of supplying and delivering those foods as ordered by aggregated and institutional markets, including school food service programs;

- 1 C. That the applicant has the capacity to provide fresh food or minimally processed
- 2 food sourced in this State;
- 3 D. That the applicant has knowledge of health-oriented food production methods in
- 4 order to maintain nutritional value and minimize food contaminants;
- 5 E. That the applicant will exercise sustainable waste management practices,
- 6 including composting of food waste and minimal use of disposable nonreusable
- 7 packaging materials;
- 8 F. That the applicant has the ability to encourage food producers to plant or
- 9 otherwise scale capacity to meet anticipated food service demand;
- 10 G. That the applicant has a willingness to work cooperatively with other local food
- 11 hubs in the State to meet statewide demand for fresh food sourced in this State in a
- 12 cost-effective manner; and
- 13 H. That the applicant has an ownership or governance structure that inherently holds
- 14 in high regard the value provided to the producer. Examples of such an ownership or
- 15 governance structure include, but are not limited to, an entity that is a cooperative of
- 16 fresh food producers in this State, or an entity whose bylaws require a majority of the
- 17 board of directors to be fresh food producers in this State.

18 **3. Maine Food Hub Advisory Committee.** The commissioner shall establish the
 19 Maine Food Hub Advisory Committee, referred to in this subsection as "the advisory
 20 committee." The commissioner shall include representatives of statewide and regional
 21 organizations involved in supporting agriculture, public health, the environment and the
 22 state economy as part of the advisory committee. The advisory committee shall:

23 A. Advise the department on definitions and the implementation and evaluation of
 24 applications for grants and loans under this section and shall review project results;
 25 and

26 B. Advise the Department of Education on design and evaluation of the local foods
 27 training program under Title 20-A, section 6602, subsection 13.

28 The commissioner shall, where applicable, consult with the Department of Marine
 29 Resources and the Department of Education regarding the awarding of grants and loans
 30 under this section.

31 **Sec. 4. 7 MRSA §434, sub-§1,** as amended by PL 2001, c. 152, §1, is further
 32 amended to read:

33 **1. Agricultural enterprise.** "Agricultural enterprise" means a person or business
 34 located in this State and engaged in the commercial growing or harvesting of plants;
 35 raising of animals; growing or obtaining plant or animal by-products; aquaculture, as
 36 defined in Title 12, section 6001, subsection 1; or further processing, storing, packaging
 37 or marketing a raw product derived from plants, animals, plant or animal by-products or
 38 aquaculture, as defined in Title 12, section 6001, subsection 1, with the intent that the
 39 product be sold or otherwise disposed of to generate income. "Agricultural enterprise"
 40 includes a business or activity that attracts visitors to a farm for the purpose of
 41 supplementing income from the primary crop or livestock operation or that is a local food
 42 hub, pursuant to chapter 10-C. "Agricultural enterprise" does not include a business

COMMITTEE AMENDMENT

1 of 3

1 engaged primarily in the growing, harvesting or further processing of forest species of
2 trees for the purpose of producing pulp or other materials used in the paper manufacturing
3 or wood manufacturing process.

4 **Sec. 5. 7 MRSA §435, sub-§2, ¶A**, as amended by PL 2003, c. 168, §1, is further
5 amended to read:

6 A. An agricultural marketing loan for any project under this subchapter or section
7 320-B, subsection 2, the total cost of which exceeds \$100,000, may not exceed 75%
8 of the project cost. A loan from the fund may not be provided for such a project
9 unless the applicant demonstrates a commitment of private funds of at least 5% of the
10 total cost of the project; except that, in order to encourage the undertaking of
11 cooperative projects by 2 or more agricultural enterprises, an agricultural marketing
12 loan may not be provided unless the cooperating agricultural enterprises as a group
13 demonstrate a commitment of private funds of at least 5% of the total cost of the
14 project.

15 **Sec. 6. 7 MRSA §435, sub-§2, ¶B**, as amended by PL 2003, c. 168, §1, is further
16 amended to read:

17 B. An agricultural marketing loan for any project under this subchapter or section
18 320-B, subsection 2, the total cost of which is \$100,000 or less, may not exceed 90%
19 of the total cost of the project.

20 **Sec. 7. 7 MRSA §435, sub-§2, ¶J** is enacted to read:

21 J. When considering a local food hub loan under section 320-B, subsection 2, the
22 commissioner is guided by the criteria established in chapter 10-C.

23 **Sec. 8. 10 MRSA §1023-J, first ¶**, as amended by PL 2011, c. 380, Pt. 000, §1
24 and c. 657, Pt. W, §6, is further amended to read:

25 The Agricultural Marketing Loan Fund, referred to in this section as the "fund," is
26 created. The fund must be deposited with and maintained by the Finance Authority of
27 Maine. The fund must be administered by the Commissioner of Agriculture,
28 Conservation and Forestry in accordance with Title 7, chapter 101, subchapter 1-D. All
29 money received by the Finance Authority of Maine from any source for the development
30 and implementation of an improved agricultural marketing loan program must be credited
31 to the fund. Any money credited to the fund from the issuance of bonds on behalf of the
32 State for financing loans for agricultural enterprises may be used only for the following
33 purposes: to provide assistance to agricultural enterprises in this State for the design,
34 construction or improvement of commodity and storage buildings and packing and
35 marketing facilities; for the purchase, construction or renovation of buildings, equipment,
36 docks, wharves, piers or vessels used in connection with a commercial agricultural
37 enterprise; for the purchase of land in connection with development of new cranberry
38 acreage; for the purchase of land for irrigation reservoirs or to provide direct access to
39 water for irrigation; for the purchase of land necessary for the start-up of a new
40 agricultural enterprise; for the expansion of an existing agricultural enterprise when the
41 land acquisition is necessary to comply with land use regulations; for ~~the development of~~
42 ~~a business plan in accordance with the provisions of Title 7, section 436-A~~ establishing
43 local food hubs pursuant to Title 7, chapter 10-C; for improvements to pastureland,

COMMITTEE AMENDMENT

1 including seeding and actions to promote rotational grazing; or, if the commissioner so
 2 approves at the time of loan insurance commitment, to pledge money in the fund as
 3 security for, and to apply money in the fund to, payment of principal, interest and other
 4 amounts due on any term loans insured by the Finance Authority of Maine to an eligible
 5 dairy farmer. Repayment of these loans and interest on these loans must be credited to
 6 the fund and may be used for the purposes stated in this section or Title 7, section 436.
 7 Interest earned on money in the fund and interest earned on loans made from the fund
 8 may be used to pay the administrative costs of processing loan applications and servicing
 9 and administering the fund and loans and grants made from the fund since the inception
 10 of the agricultural marketing loan program, to the extent that these costs exceed the fee
 11 for administrative costs established by Title 7, section 435, subsection 4.

12 **Sec. 9. 20-A MRSA §6602, sub-§12**, as enacted by PL 2001, c. 447, §1, is
 13 amended to read:

14 **12. Local Produce Fund.** The Local Produce Fund is established within the
 15 ~~Department of Education~~ department. The fund is authorized to receive revenue from
 16 public and private sources. The fund must be held separate and apart from all other
 17 money, funds and accounts. Any balance remaining in the fund at the end of the fiscal
 18 year must be carried forward to the next fiscal year. The fund must be used to match \$1
 19 for every \$3 a school administrative unit pays for produce or minimally processed foods
 20 purchased directly from a farmer ~~or~~ farmers' cooperative or local food hub in the State, to
 21 a maximum state contribution of \$1,000 or \$2,000 if the school administrative unit sends
 22 a food service employee to local foods training administered by the department under
 23 subsection 13. At the end of the fiscal year, the school administrative unit may provide
 24 the department with receipts documenting purchases pursuant to this subsection during
 25 that year. For purposes of this subsection, "minimally processed" means only the
 26 washing, cleaning, trimming, drying, sorting and packaging of food items or a
 27 combination of those activities. Reimbursement or partial reimbursement to school
 28 administrative units may only be made up to the amount available in the fund. Failure to
 29 reimburse does not constitute an obligation on behalf of the State to a school
 30 administrative unit.

31 **Sec. 10. 20-A MRSA §6602, sub-§§13 to 15** are enacted to read:

32 **13. Local foods training.** The department shall administer a program to encourage
 33 and expand the use of local foods in school food service programs. The program must:

34 A. Provide competitive grants for a training program to be conducted in up to 6
 35 regions to provide training throughout the State without cost for local school food
 36 service programs to encourage and expand the use of local foods, as defined in Title
 37 7, section 320-A, subsection 1, in school food service programs. The training
 38 program must emphasize practical training for food preparers, including creative and
 39 effective cooking skills using local fresh foods and local food procurement skills.
 40 The training program must also emphasize the establishment of local food hubs
 41 established under Title 7, chapter 10-C within and across each region of the State that
 42 encourage the use of local foods in school food service programs;

43 B. Foster collaboration between school food service programs throughout the State;

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C. Facilitate and encourage the use of local food hubs developed by the Department of Agriculture, Conservation and Forestry under Title 7, chapter 10-C; and

D. Provide guidance to schools in the use of local food products and the nutritional attributes of local foods and provide strategies for encouraging maximum knowledge and acceptance of the nutritional value of locally produced food by students and communities.

The Maine Food Hub Advisory Committee, established under Title 7, section 320-B, subsection 3, shall advise the department on the design and evaluation of the program under this subsection.

14. Food service program personnel; position description. The department shall develop and post a position description for school food service program personnel on its publicly accessible website. The position description must meet the federal guidelines established under the Nutrition Education and Training Program and Team Nutrition initiative of the National School Lunch Program under 7 Code of Federal Regulations, Part 210.

15. Food service recognition. The department shall provide for the development of an annual competitive skill-oriented school food service recognition based on criteria developed by the department emphasizing creative and effective use of local food products to attract students to eat healthier meals and snacks and promoting community interest in good nutrition and other factors determined by the department.

Sec. 11. Advisory committee; pilot program. The Maine Food Hub Advisory Committee established in accordance with the Maine Revised Statutes, Title 7, section 320-B, subsection 3 must include to the extent possible, but is not limited to, representatives of the member entities of the farm-to-school work group established by Resolve 2009, chapter 106. The Commissioner of Agriculture, Conservation and Forestry may establish a local food hub pilot program if insufficient funding is available from the Agricultural Marketing Loan Fund under Title 10, section 1023-J for the local food hub program under Title 7, chapter 10-C. The Maine Food Hub Advisory Committee shall prepare and submit an evaluation of the overall effectiveness of the pilot program to the Department of Agriculture, Conservation and Forestry, the Department of Education and the Department of Marine Resources within 90 days following the completion of the pilot program.

Sec. 12. Appropriations and allocations. The following appropriations and allocations are made.

AGRICULTURE, CONSERVATION AND FORESTRY, DEPARTMENT OF
Division of Agricultural Resource Development 0833
Initiative: Provides an allocation in fiscal year 2014-15 for rule-making costs related to local foods grants. These costs will later be reimbursed by the Finance Authority of Maine.

COMMITTEE AMENDMENT

E. of S.

COMMITTEE AMENDMENT "A" to S.P. 517, L.D. 1431

1	OTHER SPECIAL REVENUE FUNDS	2013-14	2014-15
2	All Other	\$0	\$3,893
3			
4	OTHER SPECIAL REVENUE FUNDS TOTAL	<u>\$0</u>	<u>\$3,893</u>

5	AGRICULTURE, CONSERVATION AND		
6	FORESTRY, DEPARTMENT OF		
7	DEPARTMENT TOTALS	2013-14	2014-15
8			
9	OTHER SPECIAL REVENUE FUNDS	\$0	\$3,893
10			
11	DEPARTMENT TOTAL - ALL FUNDS	<u>\$0</u>	<u>\$3,893</u>

12 **EDUCATION, DEPARTMENT OF**

13 **Local Foods Training Fund N171**

14 Initiative: Provides one-time funds to support competitive training grants for regional
15 training programs for local food service program providers to encourage and expand the
16 use of local foods in school food service programs.

17	GENERAL FUND	2013-14	2014-15
18	All Other	\$0	\$30,000
19			
20	GENERAL FUND TOTAL	<u>\$0</u>	<u>\$30,000</u>

21 **Local Produce Fund N148**

22 Initiative: Provides ongoing funds to increase the cap on the amount that the State
23 matches for the acquisition of local foods by a school administrative district if the district
24 sends a food service employee for training in the acquisition and use of local foods.

25	GENERAL FUND	2013-14	2014-15
26	All Other	\$0	\$120,000
27			
28	GENERAL FUND TOTAL	<u>\$0</u>	<u>\$120,000</u>

29	EDUCATION, DEPARTMENT OF		
30	DEPARTMENT TOTALS	2013-14	2014-15
31			
32	GENERAL FUND	\$0	\$150,000
33			
34	DEPARTMENT TOTAL - ALL FUNDS	<u>\$0</u>	<u>\$150,000</u>

COMMITTEE AMENDMENT

E. D. S.

1	SECTION TOTALS	2013-14	2014-15
2			
3	GENERAL FUND	\$0	\$150,000
4	OTHER SPECIAL REVENUE FUNDS	\$0	\$3,893
5			
6	SECTION TOTAL - ALL FUNDS	\$0	\$153,893
7			

8 **SUMMARY**

9 This amendment, which retains the emergency preamble and clause, strikes and
 10 replaces the bill and is the majority report. The amendment requires the Department of
 11 Agriculture, Conservation and Forestry and the Department of Education to administer
 12 programs to support the expansion and coordination of the use of fresh Maine foods in
 13 aggregated and institutional markets, including school food service programs.

14 The Department of Agriculture, Conservation and Forestry is directed to provide
 15 grants under the Agricultural Development Grant program for the purpose of conducting
 16 market feasibility studies and developing business plans for local food hubs in Maine to
 17 connect and enhance relationships between fresh food producers in Maine and aggregated
 18 and institutional markets, including school food service programs. The Commissioner of
 19 Agriculture, Conservation and Forestry may not award a local foods grant unless the
 20 applicant provides matching funds in an amount that is no less than 50% of the grant
 21 amount.

22 The department is also directed to provide loans under the Agricultural Marketing
 23 Loan Fund to applicants in diverse geographic areas in the State for the purpose of
 24 establishing local food hubs located in Maine. Prior to awarding a local food hub loan,
 25 the Commissioner of Agriculture, Conservation and Forestry is required to determine that
 26 the potential overall impact of a proposal to Maine's agricultural economy and industry is
 27 beneficial to and in the best interest of the State.

28 The amendment also establishes the Maine Food Hub Advisory Committee, which
 29 includes representatives of statewide and regional organizations involved in supporting
 30 agriculture, public health, the environment and the state economy, including
 31 representatives of the member entities of the farm-to-school work group established by
 32 Resolve 2009, chapter 106.

33 The amendment also directs the Department of Education to develop and support
 34 local food training programs for public school food service personnel and facilitate the
 35 use of local food hubs to expand the use of local foods in schools. The amendment
 36 retains the provision from the bill that increases the limit on the amount that the State
 37 matches for the acquisition of local food by a school administrative unit if the unit sends a
 38 food service employee for training in the acquisition and use of local foods. The
 39 amendment directs the department to develop and post a position description for school

COMMITTEE AMENDMENT

R. D. S.

COMMITTEE AMENDMENT "A" to S.P. 517, L.D. 1431

1 food service program personnel on its publicly accessible website and to develop an
2 annual competitive skill-oriented school food service recognition.

3 The amendment also adds an appropriations and allocations section.

4 **FISCAL NOTE REQUIRED**

5 **(See attached)**

COMMITTEE AMENDMENT



126th MAINE LEGISLATURE

LD 1431

LR 1673(02)

An Act To Support School Nutrition and Expand the Local Foods Economy

Fiscal Note for Bill as Amended by Committee Amendment "A" (5-4/10/14)
 Committee: Agriculture, Conservation and Forestry
 Fiscal Note Required: Yes

Fiscal Note

	FY 2013-14	FY 2014-15	Projections FY 2015-16	Projections FY 2016-17
Net Cost (Savings)				
General Fund	\$0	\$150,000	\$150,000	\$120,000
Appropriations/Allocations				
General Fund	\$0	\$150,000	\$150,000	\$120,000
Other Special Revenue Funds	\$0	\$3,893	\$0	\$0
Revenue				
Other Special Revenue Funds	\$0	\$3,893	\$0	\$0

Fiscal Detail and Notes

This bill includes General Fund appropriations totaling \$150,000 per year beginning in fiscal year 2013-14 to the Department of Education to develop and support local food training programs for public school food service personnel and the use of local food hubs. Of this amount, \$120,000 per year in ongoing funds is appropriated to the Local Produce Fund within the Department of Education to increase the cap on the amount of matching funds provided by the State for the acquisition of local foods by a school administrative unit (SAU) from \$1,000 to \$2,000 if the SAU sends a food service employee to training provided by the department. An additional \$30,000 per year is appropriated in fiscal year 2013-14 and fiscal year 2014-15 only to a newly created Local Foods Training Fund within the department to support the competitive training grants for regional training to encourage and expand the use of local foods in school food service programs.

The bill requires the Department of Agriculture, Conservation and Forestry (DACF) to utilize the Agricultural Development Fund to provide local food grants to State-based local food hubs to conduct market feasibility studies identifying the demand for minimally processed fresh food. The bill directs DACF to establish the Maine Food Hub Advisory Committee, responsible for advising DACF on the grant and loan process, evaluating applications for grants and loans and advising the Department of Education on design and evaluation of local food training programs. DACF must award at least one grant of up to \$30,000 to an applicant. The bill includes a one-time Other Special Revenue Funds allocation of \$3,893 in fiscal year 2014-15 for printing, advertising and room rentals to DACF to make amendments to its rules relating to the allocation of grant money. DACF will be reimbursed by the Finance Authority of Maine for these rulemaking costs.

Pursuant to provisions in Title 10, section 1023-J related to the payment of administrative costs related to the Agricultural Marketing Loan Fund, any additional costs to the Finance Authority of Maine associated with implementing the requirements of this legislation, estimated to be approximately \$4,200, will be reimbursed by the fund and no General Fund appropriation will be required.