

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 147 (Delegate Charkoudian, *et al.*)
 Environment and Transportation and Education, Health, and Environmental Affairs
 Ways and Means

**Maryland Farms and Families Fund, Maryland Food and Agricultural
 Resiliency Mechanism Grant Program, and Maryland Farm-to-School Meal
 Grant Pilot Program – Alterations and Establishment**

This bill alters the purpose and use of the Maryland Farms and Families (MFF) Fund; establishes the Maryland Food and Agricultural Resiliency Mechanism Grant Program (MD FARM) and an associated special fund; and establishes the Maryland Farm-to-School Meal Grant Pilot Program and associated special fund. Mandated annual funding for the MFF Fund is increased to \$300,000 beginning in fiscal 2024. Beginning in fiscal 2024, the Governor must include \$200,000 in the annual budget bill for the MD FARM Fund. **The bill takes effect July 1, 2022. Provisions related to the pilot program terminate June 30, 2026.**

Fiscal Summary

State Effect: General fund expenditures increase by approximately \$755,000 in FY 2024 and \$744,800 in 2025, reflecting mandated and estimated funding and administrative costs. General fund expenditure increases total approximately \$450,000 in FY 2026 and 2027, reflecting termination of funding for the pilot program. Special fund revenues and expenditures increase annually beginning in FY 2024, reflecting general fund appropriations to the special funds. **This bill alters an existing mandated appropriation and establishes a new mandated appropriation beginning in FY 2024.**

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SF Revenue	\$0	\$650,000	\$650,000	\$400,000	\$400,000
GF Expenditure	\$0	\$755,000	\$744,800	\$453,800	\$455,300
SF Expenditure	\$0	\$650,000	\$650,000	\$400,000	\$400,000
Net Effect	\$0	(\$755,000)	(\$744,800)	(\$453,800)	(\$455,300)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local school systems statewide receive grants of an estimated \$250,000 annually in FY 2024 and 2025 for the provision of local foods in school meals.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Maryland Farms and Families Fund and Program

In addition to farmers markets, grants from this existing fund may also go to farm stands. Mandated appropriations to the MFF Fund increase from \$100,000 to \$300,000 annually beginning in fiscal 2024. The formula for determining distribution of the funds is altered to allow for increased funding to program development, outreach, training, and capacity building. The percentage devoted to this increases from 30% to 40%. Conversely, the percentage decreases, from 70% to 60%, for funds used to match food benefits to those receiving federal Special Supplemental Nutrition Program for Women, Infants and Children (WIC), Supplemental Nutrition Assistance Program (SNAP), and the Farmers Market Nutrition Program (FMNP). Also, under the bill, a portion of that 60% may be used to fund local market access coordinators for the program.

The bill also expresses the intent of the General Assembly to encourage counties and municipalities to contribute supplemental financial support to nonprofit organizations that are supported by the MFF Fund to help increase the reach and capacity of the federal FMNP to serve food-insecure individuals and families as well as participating farmers. Also, it is the intent that any financial support provided by local governments be distributed such that 80% is distributed to farmers markets to be used as matching funds for federal programs and local market access coordination and 20% to the nonprofit organizations for program development, promotion and outreach, training, data collection, and administrative costs.

Maryland Food and Agricultural Resiliency Mechanism Grant Program and Fund

The stated purpose of MD FARM, which is administered by the Maryland Department of Agriculture (MDA), is to build food system resiliency by leveraging Maryland agricultural products and services to support the State's food banks and charitable emergency food providers to alleviate food insecurity. The MD Farm Fund, a special fund created by the bill, consists of money appropriated in the State budget to the fund and any other money from any other source accepted for the benefit of the fund. The fund must be used to provide grants to food banks and charitable emergency food providers for (1) the procurement of surplus, seasonal, or contractual agricultural food products; (2) the processing and

preparation of agricultural food products for distribution; and (3) the transportation of agricultural food products. A food bank or charitable emergency food provider may use grant money only for food products and services sourced from the State. MDA must administer the fund.

Maryland Farm-to-School Meal Grant Pilot Program and Fund

The stated purpose of the pilot program, administered by the Maryland State Department of Education (MSDE), is to incentivize the production, procurement, and provision of local foods in school meals by awarding grants. The Maryland Farm-to-School Meal Grant Fund, a special fund created by the bill, consists of money appropriated in the State budget to the fund and any other money from any other source accepted for the benefit of the fund. MSDE must administer the fund in coordination with MDA. A local school district is eligible to receive a grant from the fund if the district operates reimbursable federal nutrition programs. Grants are awarded in amounts equivalent to 20 cents for each meal that the local school district expects to offer that will include a local food component.

A local school district may use grant money for specified activities needed to meet the number of meals with a local food component. MSDE must prioritize grants as specified. MSDE must submit interim reports on the pilot program to the General Assembly by July 1, 2023, and July 1, 2024. By July 1, 2025, MSDE must submit a final report, including a recommendation on whether the pilot program should be continued.

Current Law: Several programs in the State address food insecurity issues. Examples of such programs are described below.

Supplemental Nutrition Assistance Program

SNAP, administered by the Department of Human Services (DHS), assists low-income households to purchase food. A State supplemental benefit is provided to certain households with seniors, as specified. Chapters 635 and 636 of 2019 created a supplemental SNAP benefit for households with school-aged children called Summer SNAP. Traditional SNAP benefits are 100% federally funded; the supplemental benefit for seniors is 100% State funded; and the Summer SNAP benefit is provided through State funds and local funds. Chapters 362 and 363 of 2021 established a Heat and Eat Program to expand food access to households that are receiving or eligible for SNAP. The program requires DHS to apply a standard utility allowance to the shelter deduction used to determine countable gross income for SNAP eligibility, thereby increasing access to SNAP benefits.

School Nutrition Programs and the Federal Community Eligibility Provision

The School Breakfast Program and the National School Lunch Program are federally assisted meal programs for schools. The School Breakfast Program subsidizes public and participating nonprofit private schools of high school grade or lower and participating residential child care institutions for breakfast meals served to children. Similarly, the National School Lunch Program subsidizes public and participating nonprofit private schools of high school grade or lower and participating residential child care institutions for lunches served to children. In both programs, federal funds pass through MSDE to participating schools and institutions.

The federal Community Eligibility Provision (CEP), part of the federal Healthy, Hunger-Free Kids Act of 2010, allows schools and local educational agencies with high poverty rates to provide free breakfast and lunch to all students. Under CEP, all students are served free lunches and breakfasts, and participating schools and school districts agree to cover with nonfederal funds any costs of providing free meals to all students above amounts provided in federal assistance. Local educational agencies and schools must meet specified eligibility requirements in order to participate.

The Maryland Meals for Achievement (MMFA) In-classroom Breakfast Program, established in 1999, provides a free in-class breakfast to all students enrolled in schools in which 40% or more of the students qualify for free or reduced-price meals (FRPM). Schools must be eligible and are selected to participate in the program, including nonpublic schools. Under Chapter 562 of 2018, a school that for one year falls below the 40% FRPM student population eligibility threshold for the MMFA program is eligible for MMFA funding in that year. However, the school is no longer eligible for MMFA funding if its percentage of students falls below 40% in a second consecutive year.

Under the Maryland Cares for Kids Act (Chapter 560) of 2018, the State is responsible for the *student share* of the costs of (1) reduced-price breakfasts provided under the federal School Breakfast Program by fiscal 2022 and (2) reduced-price lunches provided under the National School Lunch Program by fiscal 2023; the responsibility is phased-in beginning with fiscal 2020. A local board of education or participating nonpublic school is prohibited from charging a student who is eligible for a reduced-price breakfast beginning in fiscal 2022 or a reduced-price lunch beginning in fiscal 2023, for any portion of the cost of a meal.

Farmers' Market Nutrition Program

FMNP, which is funded with federal funds provided by the U.S. Department of Agriculture (USDA), is administered by MDA in conjunction with the Maryland Department of Health and the Maryland Department of Aging. USDA gives grants to state agencies to provide

checks to those participating in WIC or the Senior Farmers' Market Nutrition Program (SFMNP). Checks can be used to buy fresh fruits, vegetables, cut herbs, and honey (for seniors only) at Maryland farmers markets. Participants in WIC and SFMNP receive nutrition information and a participant brochure that includes details on the program and information to assist in the purchase of local, in-season produce.

Maryland Farms and Families Program

The stated purpose of the Maryland Farms and Families Program within MDA is to double the purchasing power of food-insecure Maryland residents with limited access to fresh fruits and vegetables and to increase revenue for farmers through redemption of federal nutrition benefits at Maryland farmers markets. Under the program, the MFF Fund provides grants to (1) nonprofit organizations that match purchases made with FMNP, SNAP, and WIC benefits at participating farmers markets; (2) nonprofit farmers markets to implement the program at the farmers markets; and (3) local nonprofit organizations to implement the program in partnership with one or more participating local farmers markets.

Jane Lawton Farm-to-School Program

The stated purpose of the Jane Lawton Farm-to-School Program within MDA is to (1) promote the sale of farm products grown in the State to schools in consultation with MSDE; (2) solicit farmers to sell their farm products to Maryland schools; (3) develop and regularly update a database containing specified information about farmers interested in selling their farm products to Maryland schools; (4) facilitate purchases from farmers by interested Maryland schools in consultation with MSDE and in compliance with applicable procurement requirements; and (5) provide outreach and guidance to farmers concerning the value of and procedure for selling their farm products to interested Maryland schools.

Interagency Food Desert Advisory Committee

The Interagency Food Desert Advisory Committee within the Department of Housing and Community Development (DHCD) must (1) advise and make recommendations to DHCD 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. The Secretary of Housing and Community Development, on the recommendation of the committee, is authorized to designate an area as a food desert.

Maryland Food System Resiliency Council

The council must meet regularly for a period of at least two years to address food insecurity in the State. The council must pursue specified goals, including addressing the food insecurity crisis in the State resulting from the COVID-19 pandemic and resulting economic crisis; developing, by November 1, 2021, specified equity and sustainability policy recommendations to increase the long-term resiliency of the food system; expanding the impact of existing food council organizations by providing coordination and facilitation of knowledge exchange at the State level and supporting identification and application of grants to operating funds to support existing and new food council organizations; and developing, by November 1, 2021, a strategic plan to increase the production and procurement of Maryland certified food. The council's first interim report can be found [here](#).

State Fiscal Effect: As shown in **Exhibit 1**, general fund expenditures increase by approximately \$755,000 in fiscal 2024 and \$744,800 in 2025. These estimates reflect the bill's mandated appropriations and the assumption that \$250,000 is needed annually for 48 schools (2 for each local education agency) to participate in the pilot program and provide one school meal per week with the required local food component. It also includes administrative costs for MDA and MSDE, which are described below. General fund expenditures increase by just over \$450,000 in fiscal 2026 and 2027, reflecting termination of the pilot program. Special fund revenues and expenditures increase annually, reflecting receipt of general funds by the funds established and affected by the bill. The Department of Legislative Services notes that provisions related to the pilot program terminate in June 2026, but the bill requires a final report for the pilot program by July 1, 2025. Therefore, this analysis assumes that no funding is provided for the pilot program in fiscal 2026.

Exhibit 1
Increased Expenditures Under the Bill
Fiscal 2024-2027

	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
MFF	\$200,000	\$200,000	\$200,000	\$200,000
MD FARM	200,000	200,000	200,000	200,000
Pilot Program	250,000	250,000	0	0
MDA*	57,400	52,400	53,800	55,300
MSDE*	47,600	42,400	0	0
Total	\$755,000	\$744,800	\$453,800	\$455,300

MDA: Maryland Department of Agriculture

MD FARM: Maryland Food and Agricultural Resiliency Mechanism Grant Program

MFF: Maryland Farms and Families Fund

MSDE: Maryland State Department of Education

*All expenditures are both general and special funds except the positions in MDA and MSDE, which are general funds only.

Numbers may not sum due to rounding.

Source: Department of Legislative Services

MDA administrative costs increase by \$57,400 in fiscal 2024, due to costs to hire a half-time marketing specialist to implement and administer the MD FARM Program. This estimate assumes that because the annual State funding requirement begins in fiscal 2024, the associated expenditures commence at the beginning of fiscal 2024. As shown below, the estimate includes the equivalent of a salary and fringe benefits for the half-time position, one-time start-up costs, and other ongoing operating expenses.

Position	0.5
Salary and Fringe Benefits	\$50,307
One-time Start-up Costs	6,548
Other Ongoing Operating Expenses	<u>533</u>
Total FY 2024 MDA Expenditures	\$57,388

Future year expenditures reflect annual increases in the salary and employee turnover as well as annual increases in ongoing operating expenses.

MSDE administrative costs increase by \$47,600 in fiscal 2024 and by \$42,400 in fiscal 2025. This estimate reflects the cost of hiring one part-time contractual administrative officer for two years (beginning July 1, 2023) to administer the pilot program and produce the required reports. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. Fiscal 2025 expenditures reflect a salary increase and annual increases in ongoing operating expenses.

	<u>FY 2024</u>	<u>FY 2025</u>
Contractual Position	0.5	(0.5)
Salary and Fringe Benefits	\$40,520	\$41,899
Operating Expenses	<u>7,081</u>	<u>536</u>
Total MSDE Expenditures	\$47,601	\$42,435

Local Fiscal Effect: Local school systems statewide receive an estimated \$250,000 in both fiscal 2024 and 2025 through the pilot program to fund the provision of locally sourced food in school meals. Local expenditures increase correspondingly as grant funds are expended in accordance with the bill.

Small Business Effect: Small business farmers who participate in farmers markets and accept federal nutrition benefits are meaningfully affected by increased funding via the MFF Fund and support from nonprofits via the MD FARM Program. Much of the increased funding resulting from the bill will be used to purchase those small businesses' products and may increase the level of federal nutrition benefits spent on the products.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 121 (Senator Hester, *et al.*) - Education, Health, and Environmental Affairs.

Information Source(s): Maryland Association of Counties; Maryland Municipal League; Maryland State Department of Education; Maryland Department of Agriculture; Department of Budget and Management; Baltimore City Public Schools; Anne Arundel County Public Schools; Prince George's County Public Schools; Department of Legislative Services

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