

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

Senate Bill 562
 Finance

(Senator Guzzone, *et al.*)

Appropriations

Maryland Small Food Banks Grant Program - Establishment

This bill establishes the Maryland Small Food Banks Grant Program in the Department of Human Services (DHS) to provide grants to small food banks in the State. Grants provided under the program may only be used to support a small food bank’s operating expenses, including personnel costs. DHS must prioritize giving to entities that (1) are nonprofit entities registered in the State; (2) conduct assessments, with ongoing data collection to track success; and (3) can demonstrate strong community involvement and partnerships, consistent stakeholder engagement, sustainability, innovation, and a focus on underserved communities, as specified. The Governor *may* include an appropriation of up to \$3.0 million for the program in the annual budget bill.

Fiscal Summary

State Effect: General fund expenditures are assumed to increase by an estimated \$3.0 million annually beginning in FY 2024, as discussed below. Revenues are not affected.

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	3.0	3.0	3.0	3.0	3.0
Net Effect	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)

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

Local Effect: The bill does not materially affect local government operations or finances.

Small Business Effect: Although the bill has a meaningful impact on food banks, such entities are generally nonprofit organizations and, therefore, not considered small businesses.

Analysis

Current Law: Numerous programs in DHS provide funding, either directly or indirectly, to help ensure that Maryland residents have access to food. For example, the Maryland Emergency Food Program (MEFP) is administered by DHS to provide funding to assist emergency food providers in purchasing food for needy individuals and families in Maryland and to encourage self-sufficiency. State law requires DHS to approve an administering agency for each county to provide emergency food providers with information about the program; process requests for funding assistance from emergency food providers; and allocate funding to emergency food providers based on the procedures approved in the administering agency's grant application, as specified. The fiscal 2024 budget includes \$4.5 million in general funds for MEFP in fiscal 2024, which is consistent with the level of funding in recent years

The federal Emergency Food Assistance Program (TEFAP) is a program that helps supplement the diets of low-income Americans, including elderly people, by providing them with emergency food assistance at no cost. Through TEFAP, the U.S. Department of Agriculture (USDA) purchases a variety of nutritious, high-quality USDA Foods and makes those foods available to state distributing agencies. The amount of food each state receives out of the total amount of food provided is based on the number of unemployed persons and the number of people with incomes below the poverty level in the state. DHS is the TEFAP administering agency in Maryland that contracts with the Maryland Food Bank and the Capital Area Food Bank to receive and store food available from USDA and distributes it among eligible soup kitchens, food pantries, and shelters throughout the State. According to the most recent information available, in federal fiscal 2022, the State received approximately \$12.8 million in food and administrative entitlements.

The Supplemental Nutrition Assistance Program (SNAP) 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.

State Expenditures: The Governor *may* include an appropriation of up to \$3.0 million for the program in the annual budget bill; although such funding is not mandated, this analysis assumes that annual funding for the program is \$3.0 million. Thus, general fund expenditures are assumed to increase by \$3.0 million annually beginning in fiscal 2024 (despite the bill's October 1, 2023 effective date, the analysis also assumes that the full amount of authorized annual funding is provided in fiscal 2024).

Although the bill includes a restriction on the permissible use of funds by grant recipients, the bill does not preclude DHS from using any funding provided under the bill for administrative costs. Therefore, a portion of the funding is used by DHS to hire one program administrator to administer all aspects of the grant program. Specifically, \$88,045 of the \$3.0 million is used for this purpose in fiscal 2024, which accounts for the bill's October 1, 2023 effective date. This estimate includes a salary, fringe benefits, one-time start-up costs, ongoing operating expenses, and residual funding available for grant awards. After accounting for administrative expenses, approximately \$2.9 million in fiscal 2024 is available to provide grants to eligible entities.

Positions	1.0
Salary and Fringe Benefits	\$80,636
Operating Expenses	7,409
Grants	<u>2,911,955</u>
Total FY 2024 State Expenditures	\$3,000,000

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses. Therefore, slightly less residual funding is available for grants each year.

The Department of Legislative Services notes that the fiscal 2024 budget as introduced includes \$10.0 million in the Dedicated Purpose Account (DPA) for continued State support for food banks. An equivalent amount was provided for this purpose in fiscal 2023 (also within DPA but transferred to DHS). Although the fiscal 2023 funding was characterized as one-time funding at the time, funds have been included in fiscal 2024 due to the combination of dwindling federal resources (such as those under federal SNAP emergency allotments) and higher food prices due to inflation. For purposes of this analysis, it is assumed that this DPA funding is used to provide additional support to food banks in general and not for the specific grant program created under the bill. To the extent that the funding within DPA is instead transferred to DHS and specifically made available for the Small Food Banks grant program, the additional general fund expenditures assumed in this fiscal and policy note in fiscal 2024 are mitigated.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Baltimore City; Anne Arundel and Montgomery counties; Maryland Association of Counties; Department of Budget and Management; Department of Human Services; U.S. Department of Agriculture; Department of Legislative Services

Fiscal Note History: First Reader - March 9, 2023
km/jkb Third Reader - March 27, 2023
Revised - Amendment(s) - March 27, 2023

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