

**Department of Legislative Services**  
 Maryland General Assembly  
 2024 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

Senate Bill 98  
 Finance

(Senator Salling)

Environment and Transportation

**Interagency Food Desert Advisory Committee - Food Desert Study**

This bill requires the Interagency Food Desert Advisory Committee to study “food deserts” in the State and make recommendations (1) to reduce the number of food deserts in the State and (2) regarding the available funding sources for fresh food financing initiatives and programs in the State. By November 30, 2024, the committee must submit a report of its findings and recommendations to specified legislative committees. “Food desert” means the part of a priority funding area or an eligible opportunity zone designated by the Secretary of Housing and Community Development under the Neighborhood Business Development Program. **The bill takes effect July 1, 2024, and terminates June 30, 2025.**

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$75,000 in FY 2025 only. Revenues are not affected.

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	75,000	0	0	0	0
Net Effect	(\$75,000)	\$0	\$0	\$0	\$0

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

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** In conducting the study and making the recommendations, the Interagency Food Desert Advisory Committee must (1) review the food desert projects funded under the Neighborhood Business Development Program; (2) analyze the location of food deserts in the State; (3) determine the impact of food deserts on the local population and economy; (4) develop strategies to attract grocery stores and supermarket retailers to food deserts, including identifying and analyzing anticipated costs; and (5) review existing incentives and available financing programs throughout the State to encourage the establishment of grocery stores and supermarket retailers in identified food deserts.

### Current Law:

#### *Neighborhood Business Development Program*

The Neighborhood Business Development Program, operating publicly as Neighborhood BusinessWorks (NBW), provides grants and loans to community-based economic development activities in revitalization areas designated by local governments. In food deserts or parts of priority funding areas or eligible opportunity zones that serve food deserts, the purpose of the program is to help create and retain small businesses and other food-related enterprises that provide fresh fruits, vegetables, and other healthy foods to residents of the food desert.

A small business, nonprofit organization, or microenterprise in a priority funding area or eligible opportunity zone may apply for financial assistance under the program. Financial assistance under the program may be provided as (1) a grant; (2) a loan; (3) a reduction in the principal obligation of or interest rate on a loan or portion of a loan; (4) a prepayment of interest on a subordinate or superior loan or portion of a loan; (5) an assurance; (6) a guarantee; (7) any other form of credit enhancement; or (8) a promissory note, as specified.

An applicant may qualify for financial assistance if the application demonstrates that (1) the financial assistance is the minimum amount necessary to make the project financially feasible; (2) the project is ready to proceed when it receives financial assistance from the program; and (3) any food desert project includes a plan to seek out sources of Maryland-grown produce and Maryland-produced foods.

#### *Food Desert Designations and Food Desert Projects*

The Secretary of Housing and Community Development, on the recommendation of the Interagency Food Desert Advisory Committee, is authorized to designate an area as a food desert after considering the following factors: (1) availability of fresh fruit, vegetables, and other healthy foods in the area; (2) income levels of local residents; (3) transportation

needs of local residents and the availability of public transportation; (4) comments from local governments; and (5) any other factors that the Department of Housing and Community Development (DHCD) considers relevant. Generally, the designation is considered only after a local government submits an application to DHCD to designate an area as a food desert.

Entities may apply to DHCD for financial assistance for food desert projects if the project is in a designated food desert. If DHCD determines that an entity is capable of administering a food desert project, the entity may originate and administer financial assistance to a food desert project in accordance with standards the department adopts by regulation.

DHCD may (1) pay an approved entity a reasonable origination, application, and processing fee for each food desert project that is originated by the approved entity; (2) directly fund the financial assistance for a food desert project that is originated by an approved entity; (3) provide financial assistance to an approved entity for the purpose of the approved entity providing financial assistance for a food desert project; and (4) provide small loans in amounts that are not more than \$100,000 per loan to an approved entity for assistance in providing or maintaining access to healthy food in urban or rural food deserts, including by providing loans for (1) refrigerators, freezers, and equipment and (2) operating costs incurred in providing access to healthy food in urban or rural food deserts, as specified. DHCD may also work with intermediaries to administer the small loans. DHCD must forgive a loan for operating costs under the program after five years if the loan recipient maintains continuous operations at the same location during that time.

#### *Interagency Food Desert Advisory Committee*

The Interagency Food Desert Advisory Committee, which is staffed by 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 health food access for Maryland neighborhoods.

#### *Maryland Food System Resiliency Council*

Established by Chapters 724 and 725 of 2021, the Maryland Food System Resiliency 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 by, among other things, (1) tracking and analyzing data to create a comprehensive map of food insecurity across the State and identify the gaps in service; (2) developing specified

equity and sustainability policy recommendations to increase the long-term resiliency of the food system; (3) 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 (4) developing a strategic plan to increase the production and procurement of Maryland certified food. The council's third interim report, which includes a discussion on food deserts, can be found [here](#).

**State Expenditures:** DHCD advises that Chapter 482 of 2016 expanded eligibility for NBW financial assistance from sustainable communities to priority funding areas, which reduced the need for designation as a food desert in order to qualify for funding under the program. As a result, DHCD advises that no local jurisdiction has ever applied for a food desert designation, so there are no designated food deserts under NBW. Due to the lack of interest, the Interagency Food Desert Advisory Committee is not currently active; DHCD advises that the committee met once – in November 2014 – and has not met since. Therefore, it must be reconvened to conduct the required study.

Nevertheless, DHCD advises that, as staff to the committee, it intends to study food deserts using similar criteria that the committee and the Secretary of Housing and Community Development must use in considering applications for food desert designations, while meeting the specific requirements outlined in the bill (including developing strategies to attract grocery stores and supermarket retailers to food deserts and reviewing existing incentives and available financing programs). However, it does not have the technical expertise to carry out the study. Thus, in order to conduct the study and make recommendations as required by the bill, DHCD needs to hire a consultant. Based on comparable study costs, such as the Housing Needs Assessment conducted in 2020, DHCD anticipates costs of approximately \$75,000. Therefore, general fund expenditures increase by \$75,000 only in fiscal 2025 for DHCD to hire a consultant to complete the study and submit the report.

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### **Additional Information**

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

**Designated Cross File:** None.

**Information Source(s):** Department of Housing and Community Development; Department of Legislative Services

**Fiscal Note History:** First Reader - February 6, 2024  
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Analysis by: Thomas S. Elder

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510