

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 42

(Delegate Boyce, *et al.*)

Environment and Transportation

Education, Energy, and the Environment and
Budget and Taxation

**On-Farm Organics and Wasted Food Reduction and Diversion Grant Programs -
Established**

This bill establishes, beginning July 1, 2027, (1) a Wasted Food Reduction and Diversion Grant Program and a County Wasted Food Reduction Block Grant Program, both administered by the Maryland Department of the Environment (MDE), and (2) an On-Farm Organics Diversion and Recycling Grant Program, administered by the Maryland Department of Agriculture (MDA). The bill authorizes the Governor, in fiscal 2027 through 2031, to transfer \$3.0 million from the Strategic Energy Investment Fund (SEIF) to each of the three grant programs established under the bill.

Fiscal Summary

State Effect: No impact assumed in FY 2026 or 2027. Assuming the Governor uses the bill's authority to transfer funds in FY 2028 through 2031, Maryland Energy Administration (MEA) special fund expenditures increase by \$9.0 million annually to *transfer* funding to MDE (\$6.0 million) and MDA (\$3.0 million); special fund revenues and expenditures for MDE and MDA increase correspondingly each year. The net effect is \$9.0 million in increased spending annually from FY 2028 through 2031. Future effects – beyond FY 2031 – are discussed below.

(\$ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Revenue	\$0	\$0	\$9.0	\$9.0	\$9.0
SF Expenditure	\$0	\$0	\$18.0	\$18.0	\$18.0
Net Effect	\$0.0	\$0.0	(\$9.0)	(\$9.0)	(\$9.0)

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

Local Effect: County grant revenues and expenditures increase beginning in FY 2028. Other local entities may also be affected beginning in FY 2028, as discussed below.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

On-Farm Organics Diversion and Recycling Grant Program

The bill establishes, beginning July 1, 2027, the On-Farm Organics Diversion and Recycling Grant Program within MDA. The stated purpose of the program is to award grants annually for developing and implementing on-farm organics recycling and compost use, wasted food prevention, and food rescue. MDA must administer the grant program in consultation with MDE.

Eligible grant recipients are as follows: (1) a farmer, an urban farmer, or an urban agricultural producer; (2) a soil conservation district; (3) an institution of higher education; (4) a nonprofit organization; (5) a business in the State that is in good standing with the State Department of Assessments and Taxation (SDAT) and is in partnership with a farmer, an urban farmer, or an urban agricultural producer; and (5) a consortium of any of those entities. An eligible person that receives a grant under this program may not receive a grant under the Wasted Food Reduction and Diversion Grant Program in the same calendar year.

A project is eligible for a grant under the program if the project develops, maintains, or expands infrastructure, collection programs, education, or technical assistance in the State that (1) reduces the amount of wasted food generated; (2) rescues edible food for purposes of redistribution; (3) recovers wasted food as animal feed, as specified; (4) composts or recycles food residuals that are separated from packaging prior to collection, including at-home, community, and on-farm composting; (5) provides labor and wages in support of wasted food prevention, food rescue, and on-farm organics recycling and compost use; (6) provides best management practice training in relevant fields, as specified; (7) studies the impacts of compost application on on-farm nutrient and water quality management; or (8) assists in the payment of applicable permit application costs.

In awarding grants under the program, MDA must, in consultation with MDE, prioritize projects that meet specified criteria.

Wasted Food Reduction and Diversion Grant Program

The bill establishes, beginning July 1, 2027, the Wasted Food Reduction and Diversion Grant Program within MDE. The stated purpose of the program is to award grants annually

for infrastructure, programs, and education that reduce, rescue, and divert wasted food in the State. MDE must administer the grant program in consultation with MDA.

Eligible grant recipients are as follows: (1) a unit of State or local government; (2) a local education agency; (3) an institution of higher education; (4) a nonprofit organization; (5) a farmer, an urban farmer, or an urban agricultural producer; (6) a business in the State that is in good standing with SDAT; and (7) a consortium of any one of those entities. An eligible person that receives a grant under this program may not receive a grant under the On-Farm Organics Diversion and Recycling Grant Program in the same calendar year.

A project is eligible for a grant under the program if the project develops, maintains, or expands infrastructure, collection programs, education, or technical assistance in the State that (1) reduces the amount of wasted food generated; (2) rescues edible food for purposes of redistribution; (3) recovers wasted food as animal feed, as specified; (4) composts or recycles food residuals that are separated from packaging prior to collection, including at-home, community, and on-farm composting; or (5) transitions from single-use food serviceware to durable and reusable food serviceware.

In awarding grants under the program, MDE must, in consultation with MDA, prioritize projects that meet specified criteria.

MDE, in consultation with MDA, must adopt regulations to implement the grant program. The regulations must include a simple common application procedure and a process to facilitate the participation of eligible entities that have limited resources or language barriers.

Reporting Requirements for the Maryland Department of the Environment and the Maryland Department of Agriculture

By December 31, 2027, and by each December 31 thereafter, MDA and MDE must report to the General Assembly on the On-Farm Organics Diversion and Recycling Grant Program and the Wasted Food Reduction and Diversion Grant Program. The reports must include specified information.

County Wasted Food Reduction Block Grant Program

The bill establishes, beginning July 1, 2027, a County Wasted Food Reduction Block Grant Program within MDE. The stated purpose of the program is to award grants to counties annually in amounts proportional to each county's population. Funds received by a county must fund projects to develop, maintain, or expand infrastructure, programs, and education that reduce, rescue, and divert wasted food in the county. MDE must administer the program in consultation with MDA.

In funding projects under the grant program, a county must prioritize projects that meet specified criteria.

Current Law:

Solid Waste Infrastructure and Recycling in the State, Generally

The solid waste infrastructure in Maryland consists of both permitted and nonpermitted facilities, and solid waste is managed through a combination of recycling, composting, landfilling, incineration, storage, and exporting for disposal or recycling.

Maryland's recycling policy is guided by the Maryland Recycling Act (MRA), which sets mandatory recycling rates for State government and local jurisdictions, as well as a voluntary statewide waste diversion goal of 60% and a voluntary statewide recycling goal of 55% by 2020. Each county (including Baltimore City), must recycle at least 20% or 35% of the county's solid waste stream, depending on the county's population. Each county (including Baltimore City) must also prepare a recycling plan that addresses how the jurisdiction will achieve its mandatory recycling rate. The plan must be submitted to MDE's Office of Recycling for approval when the jurisdiction submits its water and sewerage plan at least every 10 years. At least every 2 years, each county must also submit a progress report to MDE, which must include any revision of or amendment to the county plan that has been adopted.

The Office of Recycling

MDE's Office of Recycling submits annual reports, in coordination with the Maryland Environmental Service, to the Governor and the General Assembly on specified information related to recycling in Maryland. Beginning in 2009, MDE has combined the *Maryland Waste Diversion Activities Report* and the *Solid Waste Managed in Maryland Report* into one report, the *Maryland Solid Waste Management and Diversion Report*.

Chapter 465 of 2023 required the office to hire an independent consultant to conduct a statewide recycling needs assessment and report the results of the assessment to the Governor and the General Assembly by July 30, 2024. The [final statewide recycling needs assessment](#) was submitted in February 2025.

Composting in Maryland

Chapter 686 of 2013 required MDE to adopt regulations governing the permitting and operation of composting facilities. MDE promulgated the required regulations in 2014 by establishing Chapter 11 under the Code of Maryland Regulations (COMAR) 26.04, which specifies requirements related to the construction and operation of composting facilities in the State. Pursuant to Chapters 520 and 521 of 2023, MDE must exempt specified operators

of on-farm composting facilities from permitting requirements under COMAR 26.04.11.06. MDE has also established a general composting facility permit. By December 1, 2028, MDE is required to submit a report to the General Assembly that analyzes the impact of on-farm composting facilities in Maryland and provides specified information.

Food Waste Diversion

Chapters 439 and 440 of 2021 require certain generators of large quantities of food residuals to separate the food residuals from other solid waste and ensure that the food residuals are diverted from final disposal in a refuse disposal system. The implementation timeline for this requirement is staggered, based on weekly tonnages of food residuals, beginning January 1, 2023. MDE promulgated implementing regulations in 2022 by establishing Chapter 13 under COMAR 26.04, which specifies requirements related to the diversion of food residuals from final disposal in a refuse disposal system.

Strategic Energy Investment Fund

SEIF, which is administered by MEA, is generally funded through the proceeds from the auction of carbon allowances under the Regional Greenhouse Gas Initiative; SEIF also receives alternative compliance payments generated under Maryland's renewable energy portfolio standard and will receive a portion of corporate income tax revenues from qualified data centers that are operational on or after January 1, 2026.

Among other specified uses, MEA must use SEIF to invest in the promotion, development, and implementation of (1) cost-effective energy efficiency and conservation programs, projects or activities; (2) renewable and clean energy resources; (3) climate change programs directly related to reducing or mitigating the effects of climate change; and (4) demand response programs that are designed to promote changes in electric usage by customers, as specified. SEIF must also be used to provide targeted programs, projects, activities, and investments to reduce electricity consumption by customers in low-income and moderate-income residential sectors.

State Fiscal Effect:

Transfer of Funding from the Strategic Energy Investment Fund for the Grant Programs and Related Fiscal Effects for the Maryland Department of the Environment and the Maryland Department of Agriculture

Although discretionary, this bill assumes that the Governor transfers funding from SEIF to the grant programs as authorized by the bill. Even though the Governor is authorized to transfer funding in fiscal 2027 through 2031, because the grant programs are not established until July 1, 2027, this analysis assumes that no funding is transferred until HB 42/ Page 5

fiscal 2028. It is also assumed that staff to administer the three grant programs within MDE and MDA are hired on July 1, 2027, concurrent with the start of the programs and the availability of funding. Therefore, there is no impact in fiscal 2026 or 2027.

Thus, this analysis assumes that, beginning in fiscal 2028, the Governor transfers a total of \$9.0 million in SEIF funding to MDE (\$6.0 million) and MDA (\$3.0 million) each fiscal year through fiscal 2031. Special fund revenues and expenditures increase correspondingly for MDE and MDA, reflecting receipt of the transferred funds and spending for the grant programs (including costs to administer the programs and to award grants).

Exhibit 1 provides an overview of the available funding for the grant programs (due to the transfer of funds from SEIF), the estimated costs for MDE and MDA to administer the grant programs, and the anticipated available funding for grant awards from fiscal 2028 through 2030.

Exhibit 1
Available Special Funds, Administrative Costs, and Grant Awards
Fiscal 2028-2030

	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
Total SEIF Funding Transferred	\$9,000,000	\$9,000,000	\$9,000,000
Administrative Expenditures			
Positions (New)	4.0	-	-
MDE Total Administrative Expenditures	\$177,589	\$171,869	\$179,124
MDA Total Administrative Expenditures	284,801	204,420	212,030
Total Administrative Expenditures	\$462,390	\$376,289	\$391,154
MDA On-Farm Organics Diversion and Recycling Grants	\$2,715,199	\$2,795,580	\$2,787,970
MDE Wasted Food Reduction and Diversion Grants	2,911,206	2,914,066	2,910,438
MDE County Wasted Food Reduction Block Grants	2,911,206	2,914,066	2,910,438
Total MDE and MDA Grant Awards	\$8,537,610	\$8,623,711	\$8,608,846

MDA: Maryland Department of Agriculture

MDE: Maryland Department of the Environment

SEIF: Strategic Energy Investment Fund

Note: Totals may not sum due to rounding.

Source: Department of Legislative Services

The estimates included in Exhibit 1 are based on the following assumptions and information:

- MDE and MDA administrative costs are covered using the special funds transferred to each agency from SEIF for the respective grant programs;
- although funding transferred from SEIF is not deposited into any identified special fund in either agency, it is assumed that the transferred funds are treated as special funds because they are for a dedicated purpose;
- MDE incurs administrative costs to hire two employees (one natural resources planner and one regulatory and compliance engineer), both starting July 1, 2027, to (1) develop regulations and establish and administer the Wasted Food Reduction and Diversion Grant Program and the County Wasted Food Reduction Block Grant Program; (2) review grant applications, issue grants, and oversee grant awards; and (3) develop training and marketing materials;
- MDA incurs administrative costs to hire two employees (one administrator and one administrative aide), starting July 1, 2027, to develop and implement the On-Farm Organics Diversion and Recycling Grant Program; and
- MDE and MDA spend all remaining available funds each year on grant awards.

Future year administrative expenditures reflect salaries with annual increases and employee turnover and annual increases in ongoing operating expenses.

As the bill does not terminate, the grant programs continue beyond fiscal 2031; however, the bill does not establish an ongoing funding source for the grant programs. Thus, beginning in fiscal 2032, it is assumed that general funds are needed to cover the costs to administer the grant programs and provide grant awards.

State Agencies as Eligible Grant Recipients

To the extent that a State agency or an institution of higher education receives grant funding from one of the new grant programs established under the bill, grant revenues and expenditures for any such entity increase correspondingly beginning in fiscal 2028.

Local Fiscal Effect: To the extent that local governments, local education agencies, schools, soil conservation districts, or other local entities receive grant funding from the Wasted Food Reduction and Diversion Fund or the On-Farm Organics Diversion and Recycling Grant Program, local grant revenues and expenditures increase correspondingly beginning in fiscal 2028.

County revenues and expenditures increase beginning in fiscal 2028 due to the establishment of the County Wasted Food Reduction Block Grant Program. MDE notes that depending on the amount of grant funding a county receives and how the county uses that grant funding, the bill may help counties to meet their mandated MRA rates.

Small Business Effect: Grant revenues and expenditures for small businesses that are eligible for and receive grants under the bill increase beginning in fiscal 2028. For example, farmers benefit from additional funding to support the adoption of on-farm composting and the sale of composted material. Small businesses that provide the type of services, supplies, or functions that are eligible for grant funding under the bill may see an increase in the demand for their services.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 1318 of 2024.

Designated Cross File: SB 134 (Senator Hester) - Education, Energy, and the Environment and Budget and Taxation.

Information Source(s): Maryland Environmental Service; Anne Arundel, Baltimore, Charles, Dorchester, and Howard counties; Maryland Association of Counties; Northeast Maryland Waste Disposal Authority; Maryland Municipal League; Town of Bel Air; Comptroller's Office; Maryland State Department of Education; University System of Maryland; Morgan State University; Maryland Department of Agriculture; Maryland Department of the Environment; Baltimore City Public Schools; Baltimore County Public Schools; Montgomery County Public Schools; Department of Legislative Services

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Analysis by: Kathleen P. Kennedy

Direct Inquiries to:

(410) 946-5510

(301) 970-5510