

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 177

Budget and Taxation

(Senator Hester)

Health and Government Operations

Procurement - State Department of Education - Local Food Purchasing Program

This bill requires the Maryland State Department of Education (MSDE), in coordination with the Maryland Department of Agriculture (MDA) and the Department of General Services (DGS) to establish a program—when funding is available—to procure local food for local school systems. The program must include a centralized platform to facilitate procurement of food by local school systems, and MSDE must report annually on the procurement of local food. The Board of Public Works (BPW) must (1) raise the percentage price preference from 5% to 10% for providers of food from certified local farms bidding on school food contracts and (2) adopt regulations authorizing State schools and facilities to conduct an individual procurement that is limited to responses from certified local farms.

The bill takes effect July 1, 2025.

Fiscal Summary

State Effect: General fund expenditures increase by \$67,200 in FY 2026 for staffing; out-year expenditures reflect annualization and inflation. DGS and MDA can coordinate with MSDE using existing resources. Revenues are not affected.

(in dollars)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	67,200	78,300	81,800	85,500	89,100
Net Effect	(\$67,200)	(\$78,300)	(\$81,800)	(\$85,500)	(\$89,100)

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

Local Effect: Expenditures for food by local schools may increase by up to 5% due to an increase in the percentage price preference for food from certified local farms. No effect on revenues.

Small Business Effect: Meaningful.

Analysis

Bill Summary: The program must procure products that are (1) foods grown at a certified local farm under the Certified Local Farm and Fish Program; (2) certified Chesapeake invasive species provided by a certified Chesapeake invasive species provider; and (3) food grown within a 250-mile radius from an elementary or secondary school in the State. The program must give preference to providers selling certified Chesapeake invasive species and foods from certified local farms.

In working to maximize the use of intergovernmental purchasing agreements, as required under current law, DGS must work with MSDE to procure local food for local school systems.

The bill redefines “locally grown food” for the purpose of the percentage price preference to be food grown at a certified local farm (as defined under current law) instead of food grown in the State.

Current Law:

Percentage Price Preference

Current law requires BPW to adopt regulations that require State schools and facilities to establish a percentage price preference not exceeding 5% for the purchase of “locally grown food,” which is defined as food grown in the State. “Percentage price preference” refers to the percent by which a responsive bid from a responsible bidder whose product is a locally grown food may exceed the lowest responsive bid submitted by a responsible bidder whose product is not a locally grown food, and still be awarded the contract. This percentage price preference cannot be combined with any other percentage-based preference for which a bidder may be eligible. Furthermore, the preference does not apply to a procurement by a State school or facility if it is determined that compliance with the law requiring the use of a preference would cause denial of federal money or be inconsistent with the requirements of federal law.

Jane Lawton Farm-to-School Program

MDA currently runs the Jane Lawton Farm-to-School Program to (1) promote the sale of farm products grown in Maryland to schools; (2) solicit farmers to sell their farm products to Maryland schools; (3) develop and regularly update a database of farmers interested in selling their farm products to Maryland schools, including what and when the farmers want to sell; (4) facilitate purchases from farmers by interested Maryland schools, in consultation with MSDE; and (5) provide outreach and guidance to farmers concerning the value of and procedure for selling their farm products to interested Maryland schools. In consultation

with MSDE, school food service directors, and interested farming organizations, the program also supports promotional events that promote State agriculture and farm products to children through school meal and classroom programs. At the start of each calendar year, each local school system participating in the program must report to MDA the types and amounts of farm products purchased from farms in the State.

Certified Local Farm and Fish Program

Chapters 2 and 32 of 2021 established the Certified Local Farm Enterprise Program and office in MDA to encourage State agencies (including public four-year universities) to achieve an overall goal of purchasing 20% of food from certified local farm enterprises. Chapters 575 and 576 of 2023 added certified Chesapeake invasive species providers to the calculation of the 20% goal as well as to certification requirements and grant-making opportunities, and they renamed the program as the Certified Local Farm and Fish Program. A certified local farm is a local farm enterprise that (1) meets MDA's nutrient management requirements and (2) is certified by MDA in accordance with regulations. A certified Chesapeake invasive species provider is (1) certified by MDA in accordance with regulations and (2) can demonstrate that its product is a certified Chesapeake invasive species. The Office for the Certified Local Farm and Fish Program within MDA administers the program.

State Expenditures: Currently, local school systems procure food directly from food providers, with no involvement by MSDE. Under the bill, MSDE must establish a centralized platform to facilitate the procurement of local food for local school systems. Development of this platform is expected to come at no cost to the State, as it is being funded by the U.S. Department of Agriculture through the Farm-to-School program.

To further facilitate the management of food purchases from local farms for local school systems using intergovernmental agreements, in collaboration with DGS, MSDE requires an additional staff member in the Office of Procurement and Contract Management. Therefore, general fund expenditures increase by \$67,157 in fiscal 2026, which accounts for a 90-day start-up delay from the bill's July 1, 2025 effective date. This estimate reflects the cost of hiring one administrative aide to coordinate the local food program. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	\$59,788
Operating Expenses	<u>7,369</u>
Total FY 2026 State Expenditures	\$67,157

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

Local Expenditures: Local school systems are already subject to a 5% price preference for local food under current law, but the bill increases the preference to 10%. The addition of a statewide platform to facilitate intergovernmental purchases of local food and the higher price preference likely result in food costs for local school systems increasing by up to 5%, depending on the amount of food purchased from local providers and the application of the price preference.

Small Business Effect: An increased price preference, along with access to contracts exclusively for local farms, provides significant benefits in the form of increased contracting opportunities to certified local farms and Chesapeake invasive species providers. Additionally, the local food program established by the bill may facilitate access to State and local procurement opportunities for small local food providers.

Additional Information

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

Designated Cross File: HB 56 (Delegate Charkoudian, *et al.*) - Health and Government Operations.

Information Source(s): Maryland State Department of Education; Maryland Department of Agriculture; Department of General Services; Department of Natural Resources; Board of Public Works; Baltimore City Public Schools; Montgomery County Public Schools; Prince George's County Public Schools; Department of Legislative Services

Fiscal Note History: First Reader - January 20, 2025
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Third Reader - April 2, 2025
Revised - Amendment(s) - April 2, 2025

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