

**Department of Legislative Services**  
 Maryland General Assembly  
 2025 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 177 (Senator Hester)  
 Budget and Taxation

**Procurement - State Department of Education - Control Authority - Local Food Purchasing**

This bill gives the Maryland State Department of Education (MSDE) the authority to engage in or control procurement of food by local school systems without the approval of any other primary procurement unit. It further (1) requires MSDE, in consultation with the Maryland Department of Agriculture (MDA), to establish a platform to facilitate procurement of food by local school systems; (2) exempts procurements by MSDE for the purpose of master contracts from oversight by the Board of Public Works (BPW); and (3) requires MSDE to report annually on such procurements. **The bill takes effect July 1, 2025.**

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$168,200 in FY 2026 for staffing; out-year expenditures reflect annualization and inflation. Revenues are not affected.

| (in dollars)   | FY 2026     | FY 2027     | FY 2028     | FY 2029     | FY 2030     |
|----------------|-------------|-------------|-------------|-------------|-------------|
| Revenues       | \$0         | \$0         | \$0         | \$0         | \$0         |
| GF Expenditure | 168,200     | 199,800     | 208,700     | 218,000     | 227,300     |
| Net Effect     | (\$168,200) | (\$199,800) | (\$208,700) | (\$218,000) | (\$227,300) |

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

**Local Effect:** No direct effect on local revenues or expenditures, but local school systems may experience operational efficiencies from access to a centralized platform to purchase food.

**Small Business Effect:** Potential meaningful.

## Analysis

**Bill Summary:** The bill gives MSDE the authority to engage in or control procurement without approval for procurement of (1) food grown within a 200-mile radius of an elementary or secondary school for which the local school system enters into master contract with MSDE; (2) food grown at a certified local farm; and (3) certified Chesapeake invasive species provided by a certified provider. MSDE may not require certifications for good agricultural practices for master contracts.

The purpose of the centralized platform is to encourage farmers and distributors to participate in food supply opportunities for Maryland schools.

By December 1 of each year, MSDE must report to the General Assembly detailing the total number and dollar value of procurements through master contracts with local school systems, certified local farms, and certified Chesapeake invasive species providers.

### **Current Law:**

#### *Procurement and Master Contracting*

BPW has broad authority to control procurement by units and set procurement policies and procedures. BPW delegates the responsibility for procurements valued at less than \$200,000 to agencies. Procurement law and regulations recognize the Department of General Services (DGS) as one of four control agencies with the authority to establish procurement and contracting procedures. This includes the delegation of authority from BPW to the Secretary of General Services for the procurement of commodities, including locally sourced foods. Procurement by MSDE is under the supervision of DGS.

Designated procurement units may adopt master contracting, a streamlined procurement method that provides for the qualification of bidders and offerors for the procurement of services, supplies, or commodities. To become a master contractor, vendors must first respond to an agency's solicitation for master contractors. Once the vendor has been approved as a qualified vendor, agencies may then issue competitive task orders to which only qualified vendors may respond. The agency selects the qualified vendor that best meets the criteria established in the task order.

#### *Certified Local Farm and Fish Program*

Chapters 2 and 32 of 2021 established the Certified Local Farm Enterprise Program and office in the Maryland Department of Agriculture 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. 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 local farms and seafood providers, with no involvement by MSDE. To manage the selection of qualified vendors and monitor the task order process, MSDE requires additional staff in the Office of Procurement and Contract Management to fulfill the master contracting requirements and oversight responsibilities. Therefore, general fund expenditures increase by \$168,205 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 procurement officer and one administrative aide to oversee master contracting with local food providers. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

|   |                  |
|---|------------------|
| Position(s)                             | 2.0              |
| Salaries and Fringe Benefits            | \$153,467        |
| Operating Expenses                      | <u>14,738</u>    |
| <b>Total FY 2026 State Expenditures</b> | <b>\$168,205</b> |

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

**Small Business Effect:** To the extent that master contracting increases local school systems’ purchase of foods from local sources, small farmers and local food suppliers may have expanded opportunities to sell to these school systems.

**Additional Comments:**

*Control Authorities*

While this bill seeks to establish MSDE as a control agency for procurements done through master contracts, the term “control agency” generally refers to an agency that controls procurement for other State agencies or units, rather than an agency controlling its own procurement operations or that of local governments. Moreover, procurements of food by local school systems, even under a State master contract, are not subject to BPW oversight because they are not State agencies. Therefore, the exemption from BPW oversight has minimal effect (except for the selection of qualified vendors).

*Maryland Nutrient Management Laws*

The bill identifies “food grown within a 200-mile radius from an elementary or secondary school” as one source of local food for school systems. This means at least some local

school systems can buy from producers in Pennsylvania, Ohio, Virginia, West Virginia, Kentucky, New York, and Connecticut. The bill bars MSDE from requiring certification of good agricultural practices, and the producers in these states do not need to adhere to Maryland's nutrient management law. This potentially puts Maryland producers at a competitive disadvantage, as Maryland producers are more regulated to prevent excess nutrients from impacting the Chesapeake Bay than out-of-state producers. However, there is nothing in State law currently preventing local school systems from purchasing food from out-of-state producers.

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### **Additional Information**

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

**Designated Cross File:** HB 56 (Delegate Charkoudian) - 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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