

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 461

(Delegate Ziegler, *et al.*)

Economic Matters

Finance

**Economic Development - Rural Readiness Program and Rural Maryland
Capacity Building Fund - Establishment**

This bill establishes the Rural Readiness Program, administered by the Rural Maryland Council (RMC), to enhance the capacity of rural communities for economic development. The bill also creates the Rural Maryland Capacity Building Fund to award competitive grants – of up to \$50,000 to eligible applicants that have completed the Rural Readiness Program – in support of collaborative planning and capacity building initiatives targeted at rural communities. Each October 1, RMC must report on the grants made in the previous fiscal year.

Fiscal Summary

State Effect: General fund expenditures increase by *at least* \$100,000 annually to capitalize the Rural Maryland Capacity Building Fund beginning in FY 2027. Special fund revenues and expenditures increase correspondingly as awards are made. RMC can administer the Rural Readiness Program with existing budgeted resources.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
SF Revenue	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
GF Expenditure	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
SF Expenditure	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Net Effect	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)

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

Local Effect: Local governmental entities that choose to participate benefit from additional support, as discussed below.

Small Business Effect: Potential minimal.

Analysis

Bill Summary:

Definitions

For purposes of the Rural Readiness Program and the Rural Maryland Capacity Building Fund, “rural community” is defined by reference to provisions governing the Rural Maryland Prosperity Investment Fund (RMPIF). Thus, the bill generally applies within 18 specified counties.

“Eligible applicant” means a nonprofit organization, a unit of local government, a State-recognized tribe, an institution of higher education in the State, a regional planning agency, or an economic or workforce development organization. State governmental entities are excluded from this definition.

Rural Readiness Program

The Rural Readiness Program is intended to enhance the capacity of rural communities for economic development, specifically by assisting eligible applicants with grant applications and development of projects that generate revenue. RMC must establish assessments, toolkits, and other resources to support the program.

Upon successful completion of the program, an eligible applicant that receives a completion certificate is given priority for funding under two existing funds: the Maryland Agricultural Education and Rural Development Assistance Fund (MAERDAF) and RMPIF. However, completion of the program is a prerequisite for an award under the new Rural Maryland Capacity Building Fund.

Rural Maryland Capacity Building Fund

The Rural Maryland Capacity Building Fund, a special, nonlapsing fund administered by RMC, may only be used for grants for certain purposes. More specifically, funding may support:

- collaborative planning and capacity building initiatives that address needs related to housing, broadband services, placemaking, energy, transportation, health, infrastructure, economic development, and workforce development;
- readiness for investment in and development of a rural community or property through, for example, development of property inventories, site development studies, site material development, site implementation or land assembly activities, and feasibility or market studies;

- partnerships and planning to build readiness for future projects and collaborative initiatives; and
- cross-sector collaboration for community and stakeholder engagement that fosters planning and dialogue.

Certain other uses of grant funding are specifically prohibited.

The Maryland Agricultural Education and Rural Development Assistance Board must establish procedures for making an application, review the applications, and approve grant recipients and the amount of their award. As noted above, however, grants may only be awarded to applicants that have completed the Rural Readiness Program. Further, individual grant awards are capped at \$50,000, and priority must be given to eligible applicants with multijurisdictional and multisector projects and a commitment to matching at least 20% of the total grant amount.

Current Law:

Rural Maryland Council

RMC is a State rural development council that brings together citizens and representatives of public-sector entities and private-sector organizations to collaboratively address problems and challenges facing rural communities. For administrative and budgetary purposes, RMC is placed under the Maryland Department of Agriculture. RMC administers both RMPIF and MAERDAF with the assistance of the Maryland Agricultural Education and Rural Development Assistance Board.

Rural Maryland Prosperity Investment Fund

The purpose of RMPIF is to provide funding to rural regional and statewide planning and development organizations, institutions of higher education serving rural communities, rural community development organizations, and local governments acting in partnership with one another to promote the quality of life in rural areas. Funding must be disbursed according to a statutory formula, generally with one-third allocated equally to five regional councils as grants for rural regional planning and development assistance. The other two-thirds must be allocated as grants among four specified categories, one of which is to fund RMC and MAERDAF. Priority for grants must be given to organizations (in the specified categories) that have obtained an equal matching amount of funding from a source other than the State in the immediate prior fiscal year or have sufficient evidence of a commitment of a third-party funding source to provide an equal matching amount of funding in the current fiscal year.

For purposes of RMPIF, “rural community” is defined as an incorporated or unincorporated area of a county or group of counties in a rural area. “Rural area” means 18 counties as specified (Allegany, Calvert, Caroline, Carroll, Cecil, Charles, Dorchester, Frederick, Garrett, Harford, Kent, Queen Anne’s, St. Mary’s, Somerset, Talbot, Washington, Wicomico, and Worcester) as well as portions of other counties in close proximity to agricultural activity.

Maryland Agricultural Education and Rural Development Assistance Fund

MAERDAF provides funding to rural regional planning and economic development organizations and rural community development programs; it also augments the efforts of advanced technology centers that serve agricultural- and natural resources-based small businesses in rural areas through community colleges. The Maryland Agricultural Education and Rural Development Assistance Board reviews grant applications and makes recommendations to RMC regarding grant recipients and amounts. As for RMPIF, the board must give priority to organizations that have obtained an equal matching amount of funding from a source other than the State in the immediate prior fiscal year or have sufficient evidence of a commitment of a third-party funding source to provide an equal matching amount of funding in the current fiscal year.

State Fiscal Effect: RMC advises that it can develop and administer the Rural Readiness Program with existing resources. RMC anticipates six to eight one- to two-hour learning sessions, most of which will be held virtually starting in the fall of 2026. RMC also expects to award as many as three to four grants under the new Rural Maryland Capacity Building Fund each year to eligible applicants that have completed the Rural Readiness Program.

Accordingly, at least \$100,000 in general fund expenditures is needed to capitalize the fund each year, starting in fiscal 2027; special fund revenues and expenditures increase correspondingly. This amount would fund two such awards at the maximum allowed (\$50,000); however, some awards are likely to be for lower amounts, particularly since awards are competitive and grantees must provide a 20% match.

Although the bill adds completion of the Rural Readiness Program as a reason for giving funding priority for grants under RMPIF and MAERDAF, the amount of funding available in those funds is not affected. The fiscal 2027 budget as introduced includes \$6.0 million for RMPIF; the fiscal 2027 budget as introduced includes \$118,485 for MAERDAF.

Local Fiscal Effect: Local governmental entities (particularly towns, municipalities, regional planning agencies, and local community colleges) in rural communities are eligible applicants under both the Rural Readiness Program and the new Rural Maryland Capacity Building Fund. Accordingly, they may benefit from additional technical support and the ability to compete for grants of up to \$50,000 per project. To receive a grant, they

must, however, provide a 20% match. In addition, completion of the Rural Readiness Program affords them priority consideration under RMPIF and MAERDAF, without the equal matching requirement.

Additional Information

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

Cross File: SB 300 (Senator Hester, *et al.*) - Finance.

Information Source(s): Calvert, Carroll, Cecil, Charles, Frederick, Garrett, Harford, Kent, Queen Anne's, St. Mary's, Somerset, Talbot, Washington, and Wicomico counties; Maryland Association of Counties; University System of Maryland; Morgan State University; Maryland Department of Agriculture; Department of Commerce; Department of Legislative Services

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