

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1342 (Delegate Young)
 Environment and Transportation

Agriculture - Controlled-Environment and Hydroponic Agriculture

This bill establishes new programs, provides additional funding, and imposes new requirements on State agencies and local governments to support and expand controlled-environment and hydroponic agriculture in the State. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: General fund expenditures increase by \$124,000 in FY 2027 for contractual services and by an additional \$6.0 million in FY 2028 and 2029 due to mandated appropriations (with commensurate increases in special fund revenues and expenditures for the mandates). Out-years reflect ongoing costs and the termination of one mandated appropriation in FY 2030. Costs for food purchases by State agencies likely increase, potentially significantly, as discussed below. **This bill establishes two mandated appropriations beginning in FY 2028; one mandate terminates in FY 2030.**

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
SF Revenue	\$0	\$6.00	\$6.00	\$1.00	\$1.00
GF Expenditure	\$0.12	\$6.04	\$6.04	\$1.02	\$1.02
SF Expenditure	\$0	\$6.00	\$6.00	\$1.00	\$1.00
Net Effect	(\$0.12)	(\$6.04)	(\$6.04)	(\$1.02)	(\$1.02)

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

Local Effect: No direct effect on local governmental finances, but the bill’s zoning provisions restrict local zoning discretion.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Maryland Controlled-Environment and Hydroponic Agriculture Program Fund

The bill creates the Maryland Controlled-Environment and Hydroponic Agriculture Program Fund (MCHA Fund) in the Maryland Department of Agriculture (MDA) as a special, nonlapsing fund to advance controlled-environment and hydroponic agriculture in the State. The MCHA Fund consists of money appropriated in the State budget and any other money from any other source for the fund. In each of fiscal 2028 and 2029, the Governor must include \$5.0 million in the annual budget for the MCHA Fund.

The fund may provide up to five grants annually that may be used for (1) capital or operating costs associated with establishing, expanding, or maintaining a controlled-environment or hydroponic agriculture facility or (2) the cost of technical assistance or consulting fees associated with the same purposes.

Expansion of the Urban Agriculture Water and Power Infrastructure Grant Fund

The bill expands the allowable uses of MDA's Urban Agriculture Water and Power Infrastructure Grant Fund (UAWPIG Fund) to include providing 87.5% matching funds to controlled-environment and hydroponic farmers for the purchase and installation of specified meters, hoses, pipes, and lines. Beginning in fiscal 2028, the Governor must include an annual appropriation of \$1.0 million to the UAWPIG Fund.

One-stop Portal

MDA must establish a one-stop portal to serve as a centralized information source for individuals interested in controlled-environment or hydroponic agriculture. The portal must be in a conspicuous location on MDA's website with specified resources, including contact information for an individual in MDA who can assist the user.

Partnership for Workforce Quality Program Training

The bill establishes the Controlled-Environment and Hydroponic Agriculture Workforce Training Initiative within the Department of Commerce's (Commerce) Partnership for Workforce Quality (PWQ) Program. The purpose of the program is to provide matching grants to community colleges in the State to develop curriculum and course materials to train and support individuals involved in controlled-environment and hydroponic agriculture. On request by a community college that has agreed to provide matching funds, the Secretary of Commerce must provide training assistance to the community college.

Local Zoning

County and municipal legislative bodies, including those in charter counties, must adopt zoning regulations that provide the flexibility to allow for the incorporation of controlled-environment and hydroponic agriculture in urban areas.

Certified Local Farm and Fish Program

The bill expands the Certified Local Farm and Fish Program administered by MDA to encourage State agencies, including public four-year universities, to achieve an overall percentage goal of the agency's total dollar of procurement contracts for food from certified local farms that use controlled-environment or hydroponic agriculture. The goals are 1% in fiscal 2028, 3% in fiscal 2029, and 5% annually beginning in fiscal 2030. Each State agency must structure procurement procedures to meet these goals.

Current Law:

Urban Agriculture Water and Power Infrastructure Grant Fund

Chapters 393 and 394 of 2022 established the UAWPIG Program within MDA. The purpose of the program is to increase the viability of urban farming and community gardens and improve access to urban-grown foods. The Acts also established the UAWPIG Fund to provide grants to urban agricultural producers and qualified nonprofit organizations for the purchase and installation of (1) agriculture equipment associated with water supply and irrigation and (2) electric power access. For fiscal 2024 through 2027, the Governor must include in the annual budget bill a general fund appropriation of \$500,000 to the fund.

In addition to administrative costs for MDA to administer the program, the fund may only be used for providing up to 87.5% of matching funds to urban agricultural producers and qualified nonprofit organizations for the purchase and installation of (1) water meters; (2) water pipes; (3) irrigation hoses; (4) electric meters; (5) electrical lines; or (6) any other equipment associated with water supply and irrigation or electric power access MDA determines is appropriate.

Partnership for Workforce Quality Program and Fund

PWQ provides grants to employers in the State to provide training to their employees to (1) improve the competitiveness and productivity of the State's workforce and businesses; (2) upgrade employee skills, or train new employees, for new technologies or production processes; and (3) assist employers located in the State in promoting employment stability. Commerce may not provide training assistance under PWQ except at the specific request of an employer or group of employers. Preference is given to manufacturers or employers

threatened by the pressure of increased foreign or domestic competition. The PWQ Fund is a special, nonlapsing fund that may be used for grants to defray the cost of workforce training and for the program's administrative costs, as specified. Each year, the Governor must include an appropriation of \$1.0 million to the fund for PWQ.

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 renamed the program as the Certified Local Farm and Fish Program.

Each State agency must structure its procurement procedures to try to achieve an overall percentage goal of 20% of its total dollar value of procurement contracts for food being made directly or indirectly to certified local farms and certified Chesapeake invasive species providers. An agency may achieve the goal through competitive sealed bids and proposals and small procurements under terms in current law.

The Office for the Certified Local Farm and Fish Program within MDA administers the program. If an agency does not achieve the goal set for a specific contract, it must demonstrate to the office that it took all necessary and reasonable steps to achieve the goal. The office may grant a waiver if a unit provides a reasonable demonstration of good faith efforts to achieve the goal. Waivers may also be granted for sole source, expedited, or emergency procurements. The office must submit an annual report to the Board of Public Works (BPW) by October 31 of each year with specified information about waivers requested and granted. BPW must keep a record of waivers requested and submit a copy to specified committees of the General Assembly by December 31 of each year.

State Fiscal Effect: General fund expenditures for MDA increase by \$6.0 million in fiscal 2028 and 2029 due to the two mandated appropriations to the MCHA and UAWPIG funds. Special fund revenues and expenditures increase commensurately as the MCHA Fund and UAWPIG Fund each receive funds and award grants. Mandated funding for MCHA terminates in fiscal 2030, and this analysis assumes that no additional funding is provided. Therefore, general fund expenditures (and commensurate special fund revenues and expenditures) increase by \$1.0 million annually beginning in fiscal 2030 for the UAWPIG Fund in MDA.

Additional fiscal effects for affected agencies are described below.

Maryland Department of Agriculture

MDA advises that it can carry out the administrative responsibilities related to the MCHA program and the expansion of the UAWPIG Fund with existing budgeted resources, but that it lacks the expertise in-house related to controlled-environment and hydroponic agriculture to assess grant applications and make grant awards for MCHA. As the MCHA program can award only five grants each year and receives mandated funding for only two years, permanent staff are not warranted. Although mandated funding does not begin until fiscal 2028, this analysis assumes that MDA must contract with third-party experts beginning in fiscal 2027 to establish criteria for awarding grants to eligible applicants. Therefore, general fund expenditures for MDA increase by \$24,000 in fiscal 2027 through 2029 to contract with third-party experts in the field of controlled-environment and hydroponic agriculture to develop grant criteria, assess grant applications, and advise on grant awards. To the extent that funding for the program continues beyond the two-year mandate, those costs continue in the out years, but they are not reflected in this analysis.

MDA also advises that it does not have the resources to establish and maintain, on its website, a one-stop portal on controlled-environment and hydroponic agriculture. Thus, general fund expenditures increase by \$100,000 in fiscal 2027 for programming costs to develop the online portal, and by \$15,000 annually thereafter to maintain the portal.

Department of Commerce

The bill requires Commerce, through the PWQ program, to provide on-demand training assistance on controlled-environment and hydroponic agriculture to community colleges. It is unclear if the training assistance is meant to be in the form of PWQ grants to community colleges to support training programs or direct training for participants in the training initiative established by the bill. Commerce notes that PWQ is a grant-making program; it does not have staff or expertise to provide direct training in those areas. However, since the assistance is predicated on matching funds from community colleges, this analysis assumes that the training assistance is in the form of grants under the PWQ program and can, therefore, be provided by Commerce with existing resources. To the extent that the intent is for PWQ to provide direct training to program participants, Commerce requires a trainer with expertise in controlled-environment and hydroponic agriculture to provide on-demand training to community colleges in the State.

Food Purchases

Agencies that purchase large quantities of food (*e.g.*, public four-year higher education institutions and the Department of Public Safety and Correctional Services) are most affected by the targets established by the bill. They must structure their procurements to attempt to meet the targets for purchasing food from controlled-environment and

hydroponic agriculture producers, which they can likely do with existing resources. However, the bill's targets likely increase their expenditures for food as food from those sources is generally more expensive than food from traditional farms. As the fiscal effects depend on numerous factors, including the amount of food they purchase, how much food they currently purchase from those sources, and the availability of food from controlled-environment and hydroponic agriculture producers, a reliable estimate of any such increase is not feasible but may be significant.

Small Business Effect: Small farms that use controlled-environment or hydroponic agriculture benefit from the availability of grant funds to support or expand their operations, and from increased demand for their products from State agencies.

Additional Comments: This analysis assumes the mandated appropriation for the UAWPIG Fund is effectuated beginning in fiscal 2028, even though it is reflected in a section of law (§ 13-209 of the Tax – Property Article) on distribution of transfer tax revenues that only remains in effect until October 1, 2026. A replacement section of law takes effect October 1, 2026.

Also, higher education institutions are affected to the extent Baltimore City Community College or a local community college requests Commerce, through the Controlled-Environment and Hydroponic Agriculture Workforce Training Initiative, to provide training assistance. Any such college must provide matching funds to receive a grant.

Additional Information

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

Designated Cross File: None.

Information Source(s): Anne Arundel, Baltimore, Montgomery, and Prince George's counties; Maryland State Department of Education; Maryland Department of Agriculture; Department of Budget and Management; Department of Commerce; Department of General Services; Maryland Department of Planning; Department of Legislative Services

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