

Department of Legislative Services
 Maryland General Assembly
 2013 Session

FISCAL AND POLICY NOTE

House Bill 400 (Delegate Stein, *et al.*)
 Environmental Matters

Agriculture - Management-Intensive Farming and Grazing

This bill (1) requires the Governor to provide at least \$500,000 annually, beginning in fiscal 2015, for the Maryland Department of Agriculture’s (MDA) activities related to management-intensive farming and grazing; (2) allows for those funds to be appropriated from the Bay Restoration Fund and the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund (2010 Trust Fund); (3) makes related amendments to provisions governing those funds; and (4) requires the University of Maryland Cooperative Extension Service (University of Maryland Extension) to provide a dedicated extension agent to assist individuals with the adoption of management-intensive farming and grazing practices.

Fiscal Summary

State Effect: General fund expenditures increase by \$86,500 in FY 2014 for the University of Maryland Extension to hire one faculty member to serve as a dedicated extension agent. Future years are annualized and adjusted for inflation. Assuming that existing special funds are redirected from the Bay Restoration Fund and/or the 2010 Trust Fund to meet the bill’s requirement that at least \$500,000 be provided annually for activities related to management-intensive farming and grazing, overall State finances are not affected by that provision. **This bill establishes a mandated appropriation beginning in FY 2015.**

(in dollars)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	86,500	116,700	121,400	126,200	131,300
Net Effect	(\$86,500)	(\$116,700)	(\$121,400)	(\$126,200)	(\$131,300)

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

Local Effect: To the extent the required funding for activities related to management-intensive farming and grazing is appropriated from the 2010 Trust Fund, less funding may be available for local government nonpoint source pollution control projects.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The bill requires the Governor to provide at least \$500,000 annually, beginning in fiscal 2015, to support MDA's activities related to management-intensive farming and grazing. Appropriations for that purpose may be made from the Bay Restoration Fund and the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund.

The bill amends an existing allocation of funding from the Bay Restoration Fund to the Maryland Agricultural Water Quality Cost Share Program (MACS) within MDA for cover crop activities, allocating that funding instead to both cover crop *and* management-intensive grazing activities rather than just cover crop activities. In addition, management-intensive grazing is included under the definition of "nonpoint source pollution control project" (specifically, as an example of an authorized agricultural best management implementation practice) under provisions governing the 2010 Trust Fund.

The bill also requires the University of Maryland Extension to provide a dedicated extension agent to assist individuals with the adoption of management-intensive farming and grazing practices.

Current Law:

Bay Restoration Fund

The Bay Restoration Fund was established in 2004 and is administered by the Water Quality Financing Administration within the Maryland Department of the Environment (MDE). The main goal of the fund is to provide grants to owners of wastewater treatment plants (WWTPs) to reduce nutrient pollution to the Chesapeake Bay by upgrading the systems with enhanced nutrient removal (ENR) technology and to support septic system upgrades and the planting of cover crops. The fund is supported by a bay restoration fee on users of wastewater facilities, septic systems, and sewage holding tanks. The revenue collected from WWTP users is used to provide grants to upgrade the State's major WWTPs with ENR technology. Of the revenue collected from users of

septic systems and sewage holding tanks, 60% is distributed to MDE's Septics Account for the upgrade of septic systems and 40% is transferred to MACS within MDA to provide assistance to farmers for planting cover crops.

Chesapeake and Atlantic Coastal Bays 2010 Trust Fund

The 2010 Trust Fund was established in 2008 and is funded with a portion of revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals. In fiscal 2013, and in the Governor's proposed fiscal 2014 budget, general obligation bond capital funding has also been allocated to the fund. The fund is used for nonpoint source pollution control projects to help meet Chesapeake Bay restoration goals and to improve the health of the Atlantic Coastal Bays and their tributaries. Money in the fund is expended in accordance with work and expenditure plans developed each year and is required to be targeted, geographically and by practice, to proven, scientifically based projects that provide the most cost-effective and measurable water quality benefits to the Chesapeake and Atlantic Coastal Bays. Examples of nonpoint source projects that can be funded with the trust fund include cover crops, natural filters, and local watershed restoration projects, including stormwater management projects.

Maryland Agricultural Water Quality Cost Share Program

MACS assists in the implementation of agricultural best management practices (BMPs) which minimize water pollution from erosion, animal wastes, nutrients, and agricultural chemicals. State cost sharing in any project may be made available for up to 87.5% of eligible costs, not to exceed \$200,000, as determined by regulations adopted jointly by the Secretary of Agriculture and the Secretary of the Environment.

Background: Management-intensive grazing generally involves movement of grazing animals through fenced paddocks of pastureland, allowing the animals to graze in certain areas and allowing for regrowth of forage in others. The animals themselves harvest the feed and distribute manure, rather than crops being grown and harvested to feed herds confined to a small area of a farm.

MDA currently provides financial and technical assistance, through MACS and using soil conservation district personnel, to implement water quality BMPs for agricultural operations, including management-intensive grazing operations. For a dairy operation, for example, BMPs might include stream fencing, stream crossings, watering devices (for livestock fenced away from streams), and manure management. Infrastructure costs for a production system that are not directly related to water quality protection, however, are not eligible for MACS cost share assistance.

The University of Maryland Extension is a statewide, nonformal education system within the University of Maryland Eastern Shore and the College of Agriculture and Natural Resources at the University of Maryland College Park. It provides educational programs and problem-solving assistance to Maryland citizens.

State Fiscal Effect:

Dedicated Extension Agent from the University of Maryland Extension

General fund expenditures increase by \$86,492 in fiscal 2014, which accounts for the bill’s October 1, 2013 effective date. This estimate reflects the cost of a new faculty position to serve as the dedicated extension agent required by the bill. The University of Maryland Extension currently has approximately three specialists teaching management-intensive farming and grazing practices as part of their agriculture programming, but the University System of Maryland indicates that a specialized program area and an additional dedicated faculty position would be needed to meet the bill’s requirement. The estimate includes a salary, fringe benefits, and operating expenses.

Position	1
Salaries and Fringe Benefits	\$68,802
Operating Expenses	15,690
Equipment	<u>2,000</u>
Total FY 2014 University of Maryland Extension Expenditures	\$86,492

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

Mandated Funding

Assuming the bill’s requirement that at least \$500,000 annually, beginning in fiscal 2015, be provided for MDA’s activities related to management-intensive farming and grazing is met through the appropriation of existing special funds from the Bay Restoration Fund and/or the 2010 Trust Fund, overall State finances are not materially affected by this requirement; the requirement would only redistribute funding from one pollution or both of those funds (that are currently used for cover crops and nonpoint source pollution control projects) toward activities related to management-intensive farming and grazing. If, on the other hand, the Governor complies with the bill’s mandated appropriation provision by providing general funds, general fund expenditures increase accordingly.

Local Fiscal Effect: Local governments could be indirectly affected to the extent that the bill’s funding requirement for activities related to management-intensive farming or

grazing is met with appropriations from the 2010 Trust Fund, reducing funding for other nonpoint source pollution control projects, such as local watershed restoration efforts. Any impact is uncertain, however, and would depend on the amount of funding, if any, redistributed from local watershed restoration efforts.

Small Business Effect: Small business farmers that conduct management-intensive grazing, or would in the future, may be positively impacted by the allocation of funding toward MDA's activities related to management-intensive farming and grazing as well as the dedication of an extension agent to assist with the adoption of management-intensive farming and grazing practices. On the other hand, farmers could be negatively impacted to the extent the bill redirects funding currently provided for the planting of cover crops. Any shift in funding could also negatively impact contractors that work on the installation of other agricultural BMPs and nonpoint source pollution control projects.

Additional Information

Prior Introductions: None.

Cross File: SB 364 (Senator Young, *et al.*) - Education, Health, and Environmental Affairs.

Information Source(s): Maryland Department of Agriculture; Department of Budget and Management; Department of Natural Resources; Maryland Department of the Environment; University System of Maryland; Maryland Cooperative Extension, University of Maryland, *et al.*, *Dairy Success Through Management-Intensive Grazing*; Weil, Ray R., Gilker, Rachel E., *Fact Sheet, Management Intensive Grazing: Environmental Impacts and Economic Impacts*; Department of Legislative Services

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Analysis by: Scott D. Kennedy

Direct Inquiries to:
(410) 946-5510
(301) 970-5510