

L00A
Department of Agriculture

Operating Budget Data

(\$ in Thousands)

	<u>FY 12</u> <u>Actual</u>	<u>FY 13</u> <u>Working</u>	<u>FY 14</u> <u>Allowance</u>	<u>FY 13-14</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$28,877	\$27,170	\$27,682	\$513	1.9%
Contingent & Back of Bill Reductions	0	0	-34	-34	
Adjusted General Fund	\$28,877	\$27,170	\$27,648	\$479	1.8%
Special Fund	36,492	33,824	28,592	-5,232	-15.5%
Contingent & Back of Bill Reductions	0	0	-14	-14	
Adjusted Special Fund	\$36,492	\$33,824	\$28,578	-\$5,247	-15.5%
Federal Fund	4,342	4,739	5,535	796	16.8%
Contingent & Back of Bill Reductions	0	0	-2	-2	
Adjusted Federal Fund	\$4,342	\$4,739	\$5,533	\$794	16.7%
Reimbursable Fund	3,832	3,724	3,446	-278	-7.5%
Adjusted Reimbursable Fund	\$3,832	\$3,724	\$3,446	-\$278	-7.5%
Adjusted Grand Total	\$73,542	\$69,457	\$65,205	-\$4,253	-6.1%

- The Maryland Department of Agriculture (MDA) budget includes a fiscal 2013 deficiency of \$1.6 million in general funds to address a projected shortfall in the Cover Crop Program.
- MDA's budget decreases \$4.3 million, or 6.1%. The major change is a reduction of \$5.1 million in special funds from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund appropriation. The final fiscal 2014 allocation from the fund will be transferred to MDA budget after the budget is enacted.
- Adjusting for the proposed allocation of \$15.6 million in special funds from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund and the proposed fiscal 2013 budget amendments for cover crop payments from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund and the Bay Restoration Fund, the budget increases \$4.9 million between fiscal 2013 and 2014.

Note: Numbers may not sum to total due to rounding.

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Personnel Data

	<u>FY 12 Actual</u>	<u>FY 13 Working</u>	<u>FY 14 Allowance</u>	<u>FY 13-14 Change</u>
Regular Positions	391.50	383.60	382.60	-1.00
Contractual FTEs	<u>42.92</u>	<u>45.65</u>	<u>41.90</u>	<u>-3.75</u>
Total Personnel	434.42	429.25	424.50	-4.75

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	24.26	6.34%
Positions and Percentage Vacant as of 12/31/12	25.00	6.52%

- Regular positions are reduced by 1.0 in the fiscal 2014 allowance.
- Contractual full-time equivalents decrease by 3.75, primarily due to reduced federal funding for emerald ash borer management and apiary inspections in the Plant Protection and Weed Management program.

Analysis in Brief

Major Trends

Animal Health Laboratories Tests Reduced: An historical decline in Animal Health Laboratories tests is perhaps due to consolidation of the laboratories in fiscal 2010. A recent increase in necropsies performed is due to the presence of infectious laryngotracheitis on the Eastern Shore. **The Department of Legislative Services (DLS) recommends that MDA comment on why the number of equine infectious anemia tests performed peaked in fiscal 2004 and has since been at a more reduced level and what the long-term impact of the Animal Health Laboratories consolidation has been.**

Veterinarians and Veterinary Hospitals Registered Increases: An increase in the veterinarians and veterinary hospitals registered between fiscal 2011 and 2012 is due to a new online registration renewal system. **DLS recommends that MDA comment on the likelihood of an increase in the percentage of online submissions of veterinarian and veterinary hospital registrations and the cost savings experienced as a result of the shift to the online system.**

Mosquito Control Acreage Up Recently: An overall reduction in the amount of insecticide acres sprayed in recent years is somewhat abated by an increase between fiscal 2011 and 2012 due to weather differences. **DLS recommends that MDA comment on why it has retained the unattainable goal of larviciding 100% above the 2000 base year of 58,183 acres and on what an appropriate alternative goal would be.**

Issues

Tobacco Transition Program Goal Met: In 1999, the General Assembly created the Cigarette Restitution Fund (CRF). Under the legislation, one purpose of the CRF is to fund the implementation of the Southern Maryland Regional Strategy Action Plan for Agriculture adopted by the Tri-County Council (TCC) for Southern Maryland with an emphasis on alternative crop uses for agricultural land now being used for growing tobacco. Final tobacco buyout funding is programmed for fiscal 2014, and the final repayment of general obligation bond funding, which was provided in order to accelerate the buyout, is scheduled for fiscal 2018. Therefore, it appears that the operating components of funding for TCC in MDA's Tobacco Transition Program – \$480,000 in administrative cost and \$500,000 in infrastructures grants funding – could be phased out over several years to reflect the accomplishment of the primary goal – the tobacco buyout. **The Department of Legislative Services (DLS) recommends that budget bill language be added to reduce the operating components of TCC funding in the Tobacco Transition Program by \$196,000 to reflect the first year of a phase-out of funding for the program. In addition, DLS recommends that budget bill language be added that reflects the intent that funding for each year be based on a five-year phase-out so that fiscal 2018 is the final year of funding.**

Mosquito Control at a Crossroads: Maryland operates a cooperative mosquito control program. Over the recent years of cost containment, there has been a fund shift in the Mosquito Control program from general funds to special funds (county government funds), while there appears to have been an increase in the amount of mosquito habitat, exotic mosquitoes, and their proximity to humans. The future direction of the program is uncertain. **DLS recommends that MDA comment on the future of the State’s mosquito control program.**

Cover Crops Exceed Acreage Goal and Funding: The cover crop program has again exceeded expectations, both in terms of the amount of acres planted and the amount of funding required. The 2012 to 2013 planting season, which reflects fiscal 2013, has yielded an estimated final acreage of 413,974 acres and cost of \$21.9 million. Since fiscal 2005, there has been an almost 700% increase in the amount of cover crop acres planted. **DLS recommends that MDA comment on the timing of budget amendments for funding cover crops and the long-term acreage plan and funding for this program. In addition, DLS recommends that the \$1.6 million general fund deficiency for cover crops be deleted due to sufficient planned revenues at the \$50 per acre and 413,974-acre program level.**

Special Fund Clarification Still Needed: During fiscal 2012, MDA submitted a budget amendment that would have transferred \$180,000 in special fund revenues from a loose collective of four State Chemist special funds to the Pesticide Fund. This transfer was in direct contradiction to statute. SB 180 (Department of Agriculture – State Chemist Fund) has been introduced in the 2013 legislative session and appears to resolve the concern that MDA was treating the four State Chemist special funds as one fund, but it is not clear whether this addresses the second question of MDA using the State Chemist funds for work in the Pesticide Regulation program. **DLS recommends that MDA comment on whether SB 180 would resolve the issue of whether MDA has the authority to use the State Chemist funds for work in the Pesticide Regulation program.**

Pet Food Surcharge May Limit State Chemist Fee Flexibility: The Task Force on the Establishment of a Statewide Spay/Neuter Fund was established in accordance with Chapter 266 of 2011 (SB 639) and extended by Chapters 273 and 274 of 2012 (SB 609/HB 936). HB 767/SB 820 (Animal Welfare – Spay/Neuter Fund – Establishment) have been introduced as cross-filed bills in the 2013 session in order to implement the recommendations of the task force. MDA has raised the concern that the \$100 increase in the pet food brand registration would limit the flexibility it has to seek future fee increases, if they are needed. **DLS recommends that MDA comment on the impact of HB 767/SB 820 on its management of State Chemist activities funded by pet food brand registration fees.**

Soil Conservation District Field Personnel Summary Information: Section 8-405 of the Agriculture Article mandates that the Governor shall include in the annual budget bill an amount sufficient to employ not less than 110 field personnel in the soil conservation districts and that the appropriation for fiscal 2011 and beyond shall be \$10 million. The staffing and funding mandates will be met in fiscal 2014 based on current plans. However, MDA notes that it will require 160 soil conservation district field personnel to meet the best management practice goals for the Watershed Implementation Plan for Chesapeake Bay restoration. **DLS recommends that MDA comment on the plan to fund 160 soil conservation district field personnel.**

Recommended Actions

	<u>Funds</u>
1. Reduce the Tri-County Council's administrative expenses and infrastructure grants funding and state the intent that funding should be phased out over five years.	
2. Delete the general fund deficiency appropriation for cover crops.	\$ 1,600,000
Total Reductions to Fiscal 2013 Deficiency Appropriation	\$ 1,600,000
Total Reductions to Allowance	

Updates

Status of Brown Marmorated Stink Bug and Emerald Ash Borer: The brown marmorated stink bug and emerald ash borer, both invasive pest insects, continue their geographic expansion, population increases, and economic impacts. All counties west of the Chesapeake Bay and the Susquehanna River are under State and federal quarantine for the emerald ash borer, although federal funding for trapping the insect to determine its presence has been reduced. MDA indicates that brown marmorated stink bug numbers are expected to increase substantially this year and that the U.S. Department of Agriculture's Agricultural Research Service estimated \$37 million in losses for Maryland apples in 2010 as a result of brown marmorated stink bug depredation.

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Operating Budget Analysis

Program Description

The Maryland Department of Agriculture (MDA) supervises, administers, and promotes agricultural activities throughout the State. Its mission is to provide leadership and support to agriculture and the citizens of Maryland by conducting regulatory, service, and educational activities that assure consumer confidence, protect the environment, and promote agriculture. MDA is organized into four administrative units as described below.

- **Office of the Secretary:** Provides administrative support services; advises the Secretary on agricultural issues; and administers agricultural land preservation.
- **Office of Marketing, Animal Industries, and Consumer Services:** Provides weights and measures supervision; conducts inspection, grading, monitoring, and testing of agricultural product quality; generates agricultural statistics; protects animal health; regulates veterinarians; promotes the equine industry; assists in the development of agricultural markets; promotes agriculture through agricultural fairs, shows, and youth activities; supports the transition from tobacco production in Southern Maryland; and helps develop resource-based industries through the Maryland Agricultural and Resource-Based Industry Development Corporation, an independent agricultural development agency that is budgeted within MDA.
- **Office of Plant Industries and Pest Management:** Manages forest pests; implements mosquito control services; regulates pesticides and pesticide applicators; administers nursery inspection, noxious weed control, nuisance bird control, and honey bee registration programs; regulates seed and sod labeling; and regulates the chemical components of pesticides, commercial fertilizers, feeds, pet foods, compost, soil conditioners, and liming materials.
- **Office of Resource Conservation:** Advises the Secretary on agricultural soil conservation and water quality; provides financial, technical, and staffing support to the State's 24 soil conservation districts; provides cost-share funding for best management practice implementation, manure transport, and nutrient management plan development; and trains, certifies, and licenses nutrient management plan consultants.

MDA's primary goals are:

- to promote profitable production, use, and sale of Maryland agricultural products;
- to protect the health of the public, plant, and animal resources in Maryland;

- to preserve adequate amounts of productive agricultural land and woodland in Maryland;
- to provide and promote land stewardship, including conservation, environmental protection, preservation, and resource management; and
- to provide health, safety, and economic protection for Maryland consumers.

Performance Analysis: Managing for Results

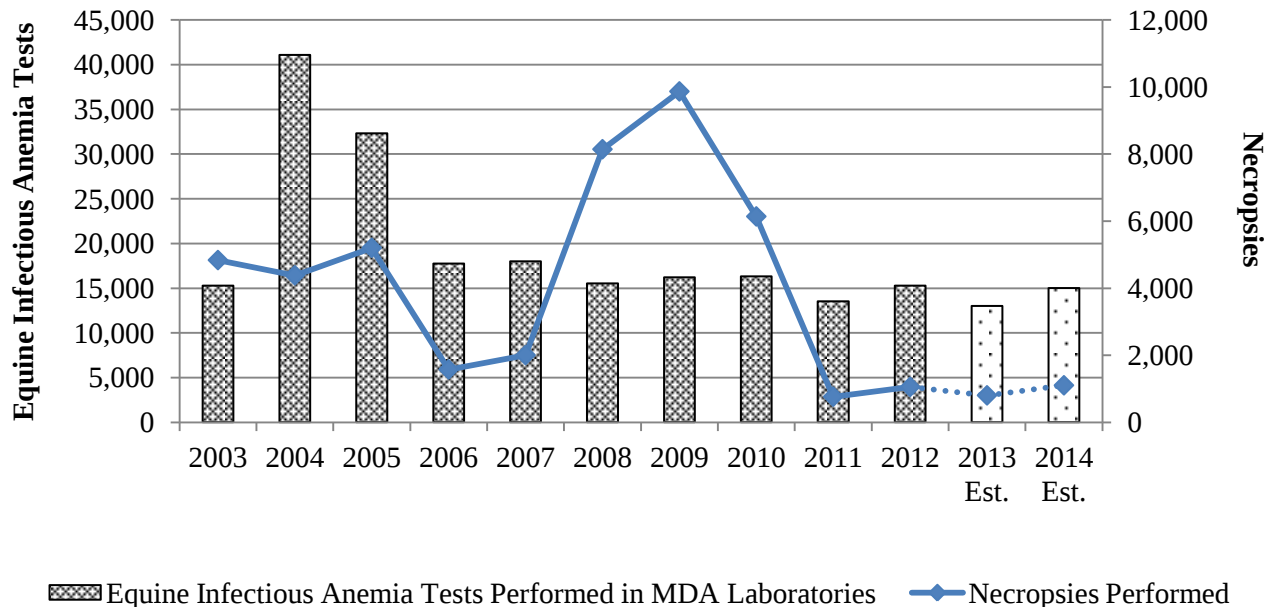
The analysis of MDA's fiscal 2013 Managing for Results (MFR) submission reflects an historical decline in Animal Health Laboratories tests perhaps due to consolidation of the laboratories in fiscal 2010 with a recent increase in necropsies performed due to the presence of infectious laryngotracheitis on the Eastern Shore; an increase in the veterinarians and veterinary hospitals registered due to a new online registration renewal system; and an overall reduction in the amount of insecticide acres sprayed in recent years with a recent increase due to differences in the weather.

1. Animal Health Laboratories Tests Reduced

One of the Animal Health program's goals is to provide affordable, accurate, and timely diagnostic laboratory services and to ensure that Maryland's agricultural animals and products continue to meet or exceed health standards for interstate commerce, international trade, and sale within Maryland. Two measures relating to these goals are the number of necropsies performed and the number of equine infectious anemia tests performed in MDA laboratories. **Exhibit 1** shows these two measures declining from fiscal 2004 (equine infectious anemia) and 2009 (necropsies) to 2011.

The decline in the number of necropsies performed may reflect the consolidation of the five Animal Health Laboratories into two laboratories in fiscal 2010. However, between fiscal 2011 and 2012, there is an increase in the number of necropsies performed from 761 to 1,053. MDA attributes this increase to poultry necropsy work performed at the Salisbury Animal Health Laboratory due to an increase in the presence of infectious laryngotracheitis on the Eastern Shore over the last 12 to 18 months. In addition, there has been a 10% increase at the Frederick Animal Health Laboratory, which may be related to a recovering economy. **The Department of Legislative Services (DLS) recommends that MDA comment on why the number of equine infectious anemia tests performed peaked in fiscal 2004 and has since been at a more reduced level and what the long-term impact of the Animal Health Laboratories consolidation has been.**

Exhibit 1
Necropsies and Equine Infectious Tests Performed
Fiscal 2003-2014



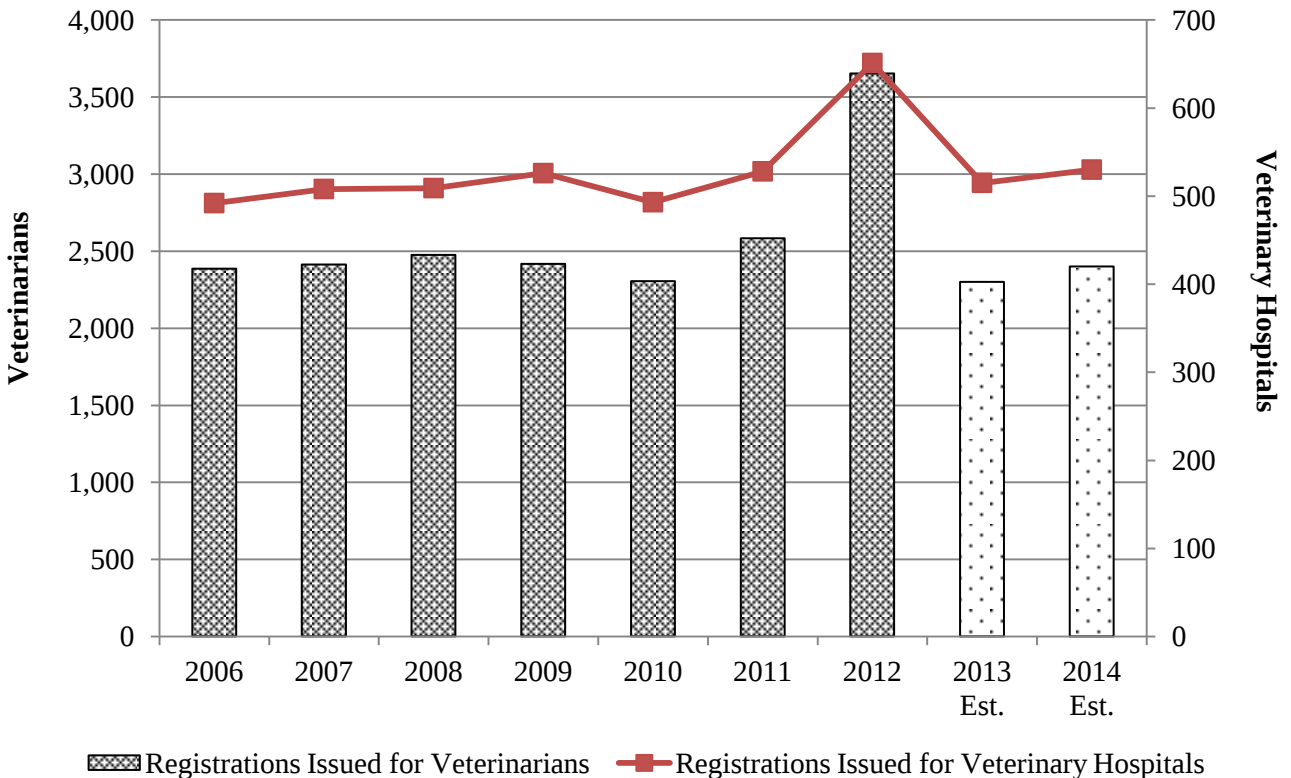
MDA: Maryland Department of Agriculture

Source: Governor's Budget Books, Fiscal 2006-2014

2. Veterinarians and Veterinary Hospitals Registered Increases

The State Board of Veterinary Medical Examiners program has a goal of protecting the public and animal health and welfare through effective licensure or registration of veterinarians, veterinary technicians, and veterinary hospitals on an annual basis. Between fiscal 2011 and 2012, there was a substantial increase in both the number of veterinarians and veterinary hospitals registered, as shown in **Exhibit 2**. MDA attributes this increase to the implementation of a new online registration renewal system in May 2012. As a result, more than 50% of the registrations were submitted online. This amounts to approximately one-half of all veterinarians and one-third of all veterinary hospital owners. In addition to speeding up the registration process, MDA indicates that the new system also improves the quality of the data on submitted registrations. This is because many registrations are sent in on June 30 via the paper-based system, which could mean that the registrations are counted in the wrong fiscal year once the two-week processing period is completed. **DLS recommends that MDA comment on the likelihood of an increase in the percentage of online submissions of veterinarian and veterinary hospital registrations and the cost savings experienced as a result of the shift to the online system.**

Exhibit 2
Registrations Issued for Veterinarians and Veterinary Hospitals
Fiscal 2006-2014



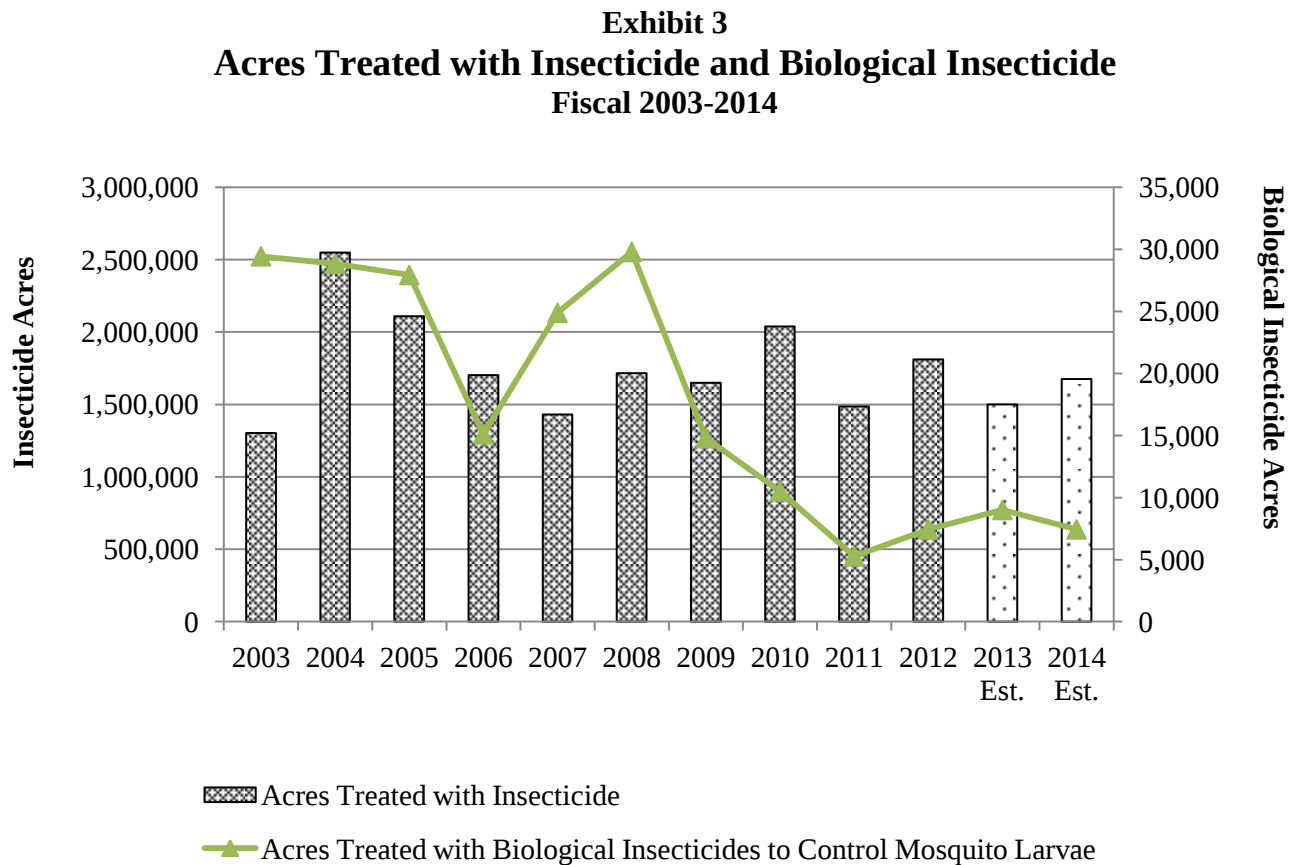
Source: Governor's Budget Books, Fiscal 2009-2014

3. Mosquito Control Acreage Up Recently

MDA's Mosquito Control program has two goals related to mosquito control: (1) maintain the adult mosquito population below the level that causes unacceptable annoyance to humans; and (2) reduce the exposure of the public to insecticides applied for adult mosquito control by greater use of biological mosquito larvicides. MDA indicates that biological insecticides are used for larviciding or controlling mosquitoes at the breeding source and that the advantage to larviciding is the narrow target range of wetlands, which limits the negative effect on nontarget species. According to MDA, most larvicide acreage is accomplished with the airplane; ground larviciding takes place on a much smaller number of acres.

MDA uses an annoyance action threshold to determine spraying levels. Ground-based spraying is used to control adult mosquitoes when the density of the population, as measured in landing counts and with light traps, reaches 2 adults landing to bite in a three-minute period or 12 females collected overnight in an unbaited light trap. Aerial spraying is done when salt marsh mosquitoes are biting at a rate of 12 per minute or 100 are collected overnight in an unbaited trap.

Exhibit 3 shows there was a steady decline in the acres on which biological insecticides were applied between fiscal 2008 and 2011 and a less pronounced downward trend for adult mosquito insecticide acres treated between fiscal 2004 and 2011. MDA indicates that, while expanding the larviciding acreage is desirable, the potential is limited by high cost, the difficulty of working in wetlands, permitting challenges, and access to breeding habitat. As a result, MDA's goal of larviciding 100% above the 2000 base year of 58,183 acres will not be met.



Source: Governor's Budget Books, Fiscal 2006-2014

The number of adult mosquito insecticide acres treated increased from fiscal 2011 (1,487,111 acres) to 2012 (1,810,081 acres). MDA indicates that mosquito control is determined by weather conditions, participation levels, and funding. For weather, the most important factor is moisture; therefore, increased rainfall, high tides, and storm action dictate the level of needed mosquito control. Weather differences between fiscal 2011 and 2012 explain the difference in mosquito control acreage. **DLS recommends that MDA comment on why it has retained the unattainable goal of larviciding 100% above the 2000 base year of 58,183 acres and on what an appropriate alternative goal would be.**

Fiscal 2013 Actions

Cost Containment

Section 25 of Chapter 1 of the First Special Session of 2012 (the Budget Reconciliation and Financing Act of 2012) required the Governor to abolish at least 100 vacant positions as of January 1, 2013, saving at least \$6 million in general funds. MDA's share of the reduction was \$60,004 in general funds, although no positions were abolished and so there will be no annualized salary savings.

Proposed Deficiency

The Governor has submitted a deficiency appropriation for the fiscal 2013 operating budget, which would increase MDA's general fund appropriation by \$1,600,000 in general funds for the Cover Crop Program. The increased appropriation is necessary because the Administration estimates that it will need additional funding to address the projected \$21,940,622 cost for 413,974 cover crop acres in fiscal 2013. The cover crop program will be discussed further under the Issues section.

Proposed Budget

MDA's fiscal 2014 allowance decreases by \$4.3 million, or 6.1%, relative to the fiscal 2013 working appropriation, as shown in **Exhibit 4**. However, the majority of the change is due to the timing of the allocation of the special fund appropriation from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund, which currently is budgeted within the Department of Natural Resources (DNR). The changes by fund in Exhibit 4 reflect a decrease of \$0.5 million in general funds, a decrease of \$5.2 million in special funds, an increase of \$0.8 million in federal funds, and a decrease of \$0.3 million in reimbursable funds.

Exhibit 4
Proposed Budget
Department of Agriculture
(\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
2013 Working Appropriation	\$27,170	\$33,824	\$4,739	\$3,724	\$69,457
2014 Allowance	<u>27,682</u>	<u>28,592</u>	<u>5,535</u>	<u>3,446</u>	<u>65,255</u>
Amount Change	\$513	-\$5,232	\$796	-\$278	-\$4,203
Percent Change	1.9%	-15.5%	16.8%	-7.5%	-6.1%
Contingent Reduction	-\$34	-\$14	-\$2	\$0	-\$50
Adjusted Change	\$479	-\$5,247	\$794	-\$278	-\$4,253
Adjusted Percent Change	1.8%	-15.5%	16.7%	-7.5%	-6.1%

Where It Goes:

Personnel Expenses

Retirement contribution	\$537
Employee and retiree health insurance net of across-the-board reduction.....	320
Annualized general salary increase	218
Salaries and wages	50
Turnover adjustments.....	-477
Abolished position	-57
Workers' compensation	-41
Additional assistance for country of origin labeling	-25

Other Changes

Programmatic

Nutrient trading marketplace.....	789
Women, Infants, and Children and farmers markets.....	315
Public drainage association grant.....	210
Programs funded from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund.....	-5,052
Specialty crops	-400
Agricultural land preservation.....	-262
Maryland Agricultural Fair Board.....	-168

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Where It Goes:

Routine Operations

Testing equipment	260
Laboratory equipment	116
Statewide cost allocations	46
Contractual full-time equivalents	-361
Vehicle replacement.....	-225
Mosquito control equipment	-116
Other.....	70
Total	-\$4,253

Note: Numbers may not sum to total due to rounding.

Personnel

MDA's overall personnel expenditures increase by \$525,000 with the largest change being an increase for retirement contributions. The changes are as follows:

- ***Retirement Contribution*** – Retirement contribution increases by \$537,483. Statewide contribution rates for the regular employees', teachers', State Police's, and law enforcement officers' pension plans increase in fiscal 2014. The rate increases are attributable to underattained investment returns, adjusted actuarial assumptions, and increased reinvestment of savings achieved in the 2011 pension reform.
- ***Employee and Retiree Health Insurance Net of Across-the-board Reduction*** – Health insurance costs increase by \$320,396, accounting for a statewide across-the-board reduction. MDA's portion of the across-the-board reduction is allocated as follows: \$34,136 in general funds, \$14,137 in special funds, and \$1,810 in federal funds.
- ***Annualized General Salary Increase*** – General salaries increase by \$218,496 to reflect the annualization of the cost-of-living allowance (COLA) provided on January 1, 2013.
- ***Salaries and Wages*** – Salaries and wages increase by \$49,883.
- ***Turnover Adjustments*** – Turnover is increased by \$477,081.
- ***Abolished Position*** – A position is abolished in the fiscal 2014 allowance for a reduction of \$56,650.

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- ***Workers' Compensation*** – The workers' compensation contribution decreases by \$41,255.
- ***Additional Assistance for Country of Origin Labeling*** – MDA does not anticipate the federal government requesting assistance for country of origin labeling inspections; therefore, funding in the Food Quality Assurance program decreases by \$25,000.

Other Changes

The nonpersonnel changes in MDA's budget account for a decrease of \$4.8 million. The biggest change is a decrease of \$5.1 million in Chesapeake and Atlantic Coastal Bays 2010 Trust Fund appropriation due to the timing of the fiscal 2013 and 2014 allocations of funding. The changes are as follows.

Programmatic

- ***Nutrient Trading Marketplace*** – There is an increase of \$789,250 in federal funds in the Resource Conservation Operations program for a number of contracts related to the development of the Nutrient Trading Marketplace. Contracts include work with the Maryland Association of Soil Conservation Districts for development of training materials and protocols and cost of staff to conduct countywide on-farm assessments and verifications in six counties (\$475,000); a contractor for website development and maintenance (\$195,000); and the World Resources Institute for management of updates and revisions to the online tool, development of a new module, and development of the growth offset tracking system (\$100,000).
- ***Women, Infants, and Children (WIC) and Farmers Markets*** – Federal funds increase by \$315,325 in order to increase payments for food from farmer's markets that is received by WIC program recipients and senior citizens. MDA indicates that federal sequestration and the lack of a farm bill increase the uncertainty of this funding.
- ***Public Drainage Association Grant*** – There is an increase of \$210,000 in federal funds in the Agricultural Water Management subprogram for costs associated with demonstration sites under the Public Drainage Association grant. Cost increases include payment to the University of Maryland for coordination of the Public Drainage Association grant project (\$100,000); the purchase of Algal Turf Scrubber, 50 miles of weed wiper, and phosphorus absorbing materials, and costs associated with the establishment of wetlands (\$75,000); and video (\$35,000).
- ***Programs Funded from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund*** – The fiscal 2014 allocation of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund has yet to be finalized, which is reflected in MDA's fiscal 2014 allowance as a decrease of \$5.1 million in nonpersonnel expenditures. Overall, the reflection of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund in MDA's fiscal 2013 working appropriation is unclear due to the timing of budget amendments and the reflection of some of the appropriation as Bay Restoration Fund special funds. The fiscal 2014 draft annual work plan for the Chesapeake

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and Atlantic Coastal Bays 2010 Trust Fund reflects \$15.6 million in funding divided among cover crops (\$10.0 million), soil conservation district technical assistance (\$2.6 million), grants to farmers for addressing recent nutrient management regulations (\$2.0 million), the Conservation Reserve Enhancement Program (\$0.5 million), and Manure Transport Program (\$0.5 million). **DLS recommends that MDA comment on the fiscal 2013 and 2014 special fund appropriations for the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund and the Bay Restoration Fund.**

- ***Specialty Crops*** – Agricultural Marketing subprogram funding is reduced by \$400,000 in federal funds in the fiscal 2014 allowance for special crops grants, although MDA indicates that this funding is now anticipated to be received in fiscal 2014. The funding comes from the Federal-State Marketing Improvement Program. Past recipients of funding have included the Maryland Wineries Association, Maryland Christmas Tree Growers, Crossroads Farmers Market Association in Tacoma Park, Garrett County Community College, and food safety projects at the University of Maryland, College Park.
- ***Agricultural Land Preservation*** – Easement expenditures, including title insurance and appraisal costs, decrease by \$261,524 in the Maryland Agricultural Land Preservation Foundation program primarily due to the anticipation that the majority of appraisal fees for the combined fiscal 2013 and 2014 easement cycle will be paid in fiscal 2013.
- ***Maryland Agricultural Fair Board*** – Maryland Agricultural Fair Board’s special fund appropriation from racing revenue for grants to local fairs and shows decreases by \$167,509. This is comprised of a reduction due to unexpected racing revenue from fiscal 2012 being provided for use in fiscal 2013 (\$92,509) and the allocation of fiscal 2012 funding to a grantee in fiscal 2013 that did not receive its fiscal 2012 allocation (\$75,000). Overall, MDA has budgeted the Maryland Agricultural Fair Board allocation from racing revenues at the statutorily prescribed level of \$1,460,000 as dictated in Business Regulation Article section 11-403.

Routine Operations

- ***Testing Equipment*** – The Weights and Measures’ program appropriation increases by \$259,520 for replacement of six volumetric trailer mounted provers used for testing vehicle tank meters for home heating oil that are over 40 years old and corroding (\$151,320), and two liquid propane gas trailer mounted volumetric standards (provers) that are over 50 years old and have corroding steel (\$108,200).
- ***Laboratory Equipment*** – Laboratory equipment costs increase by \$116,100 for purchases in the Weights and Measures and Animal Health programs for such items as a precision balance, a double glass door laboratory refrigerator, and benchtop autoclaves. Also included in the fiscal 2014 allowance is funding for the purchase of an inductively coupled plasma optical emission spectrometer, super critical fluid extractor, and high pressurized solvent extractor.

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- **Statewide Cost Allocations:** Statewide cost allocations increase by \$45,990 for the Department of Budget and Management (DBM) paid telecommunications (\$62,072), the Department of Information Technology (DoIT) information technology services (\$18,986), Attorney General administration (\$4,392), and retirement administrative fee (\$892), which are partially offset by decreases for the statewide personnel system (\$34,652), and Annapolis Data Center usage charge (\$5,700).
- **Contractual Full-time Equivalents** – MDA’s fiscal 2014 allowance includes a decrease of 3.75 full-time equivalents (FTE) for a reduction of \$361,050. The single largest change is a reduction of 3.7 FTEs in the Plant Protection and Weed Management program due to reduced federal funding for emerald ash borer management and apiary inspections. Within the overall reduction in FTEs, there is an increase of 2.5 FTEs budgeted in the Food Quality Assurance program to provide relief coverage for full-time poultry and egg grading shifts while the resident graders are performing grain grading, Country of Origin reviews, poultry processing inspections, and other additional fee-for-service programs.
- **Vehicle Replacement** – Vehicle replacement funding decreases by \$225,000 for purchase or lease cost of vehicles due to a reduction of \$240,000 in special funds in the Weights and Measures program. This reduction is due to a one-time purchase of a specialized weight truck, which is partially offset by an increase of \$15,000 in the Agricultural Water Quality program for the purchase of all-terrain vehicles.
- **Mosquito Control Equipment** – Funding decreases by \$115,728 in the Mosquito Control program due to one-time funding in fiscal 2013 for refurbishing the amphibious ditcher which is 20 years old (\$97,728) and replacing one-third of the mosquito spray equipment that is 18 years old or older (\$18,000).

Issues

1. Tobacco Transition Program Goal Met

In 1999, the General Assembly created the Cigarette Restitution Fund (CRF). Under the legislation, one purpose of the CRF is to fund the implementation of the Southern Maryland Regional Strategy Action Plan for Agriculture adopted by the Tri-County Council (TCC) for Southern Maryland with an emphasis on alternative crop uses for agricultural land now used for growing tobacco. Funds are appropriated to MDA, which then issues grants to TCC. TCC is a nonprofit, quasi-governmental body that works with the Southern Maryland Agricultural Development Commission to develop programs to stabilize the region's agricultural economy as Maryland growers transition away from tobacco production. TCC's Strategy Action Plan has three main components: the tobacco buyout (first priority), agricultural land preservation (second priority), and infrastructure/agricultural development (third priority).

The tobacco buyout component is a voluntary program that provided funds to (1) support all eligible Maryland tobacco growers who chose to give up tobacco production forever while remaining in agriculture; and (2) restrict the land from tobacco production for 10 years should the land transfer to new ownership. A total of 854 farmers and 7.65 million pounds of tobacco are enrolled in the program and out of production.

Final tobacco buyout funding of \$319,000 is programmed for fiscal 2014 in MDA's pay-as-you-go capital budget. In addition, the final repayment of general obligation bond funding, which was provided in order to accelerate the buyout, is scheduled for fiscal 2018. Therefore, it appears that the operating components of funding for TCC in MDA's Tobacco Transition Program – \$480,000 in administrative cost and \$500,000 in infrastructures grants funding – could be phased out over several years to reflect the accomplishment of the primary goal – the tobacco buyout. **DLS recommends that budget bill language be added to reduce the operating components of TCC funding in the Tobacco Transition Program by \$196,000 to reflect the first year of a phase out of funding for the program. In addition, DLS recommend that budget bill language be added that reflects the intent that funding for each year be based on a five-year phase out so that fiscal 2018 is the final year of funding.**

2. Mosquito Control at a Crossroads

Maryland operates a cooperative mosquito control program. Over the recent years of cost containment, there has been a fund shift in the Mosquito Control program from general funds to special funds (county government funds) while there appears to have been an increase in the amount of mosquito habitat and its proximity to humans. The future direction of the program is uncertain.

Urbanization and Exotic Mosquitoes

One concern about mosquitoes is the possibility that urbanization is increasing habitat for the mosquito larvae, or young, and exposing more people to exotic mosquitoes. For instance, engineered wetlands and other types of stormwater management structures are a component of development plans in order to meet water quality goals. If these engineered wetlands are not constructed properly with a balance of mosquito predators, then they became potential unfettered mosquito breeding grounds. MDA indicates that a Maryland survey found that nearly 50% of stormwater ponds inspected were breeding mosquitoes.

Exotic mosquitoes are already well-established in most Maryland counties. MDA indicates that one such exotic mosquito, the Asian Tiger Mosquito, arrived in the United States via used tire casings. It has the following characteristics: it lives in or around human habitations; it is a persistent day-time biter; and it is a vector for West Nile Virus, Eastern Equine Encephalitis, St. Louis Encephalitis, Dengue, Yellow Fever, and La Crosse virus. In addition, the exotic mosquito *Ochlerotatus japonicas*, which is a container breeder, is becoming established in Maryland and appears to be adaptable to both urban and rural environments, in contrast to the urban-dwelling Asian Tiger Mosquito. MDA indicates that the diseases Dengue and Chikungunya could be introduced to Maryland by either of these exotic mosquitoes.

Funding

Funding for the Mosquito Control program has decreased between fiscal 2008 and 2014. The overall change is a reduction of \$590,782, as shown in **Exhibit 5**, which includes an increase of \$449,742 in county participation special funds. MDA indicates that other coastal states have maintained their mosquito control funding levels during this same time period.

Exhibit 5
Mosquito Control Funding
Fiscal 2008 and 2014

	<u>2008</u>	<u>2014</u>	<u>Difference</u>
General Funds	\$1,945,154	\$1,005,021	-\$940,133
Special Funds	1,142,050	1,591,792	449,742
Reimbursable Funds	20,000	5,000	-15,000
Total	\$3,107,204	\$2,601,813	-\$505,391

Source: Governor's Budget Books, Fiscal 2010 and Fiscal 2014

The Future

It appears that there is a foreseeable future in which the State may maintain oversight of mosquito control and maintain an aerial program to spray wetlands on the Eastern Shore, but turn over the majority of operations, such as urban area adult mosquito control, to local governments. A couple of alternatives for reducing the funding needed for mosquito control without necessarily compromising on the level of service are as follows.

- **Efficiency** – Right now spraying is being conducted by the use of paper maps, which means that sprayers learn their routes and then do not vary them. If the 50 spray trucks in Maryland were upgraded at \$5,000 per truck (a total of \$250,000), then the State could use global positioning system technology and geographic information systems to track where, when, and how much spraying is being done in order to rotate among communities that are currently on the cooperative agreements list and those that are on waiting lists. In addition to efficiency, there is the ability to comply more easily with federal regulations on the documentation of spraying. The downside to the additional use of technology is the cost. MDA indicates that it is hopeful that it will receive funding for the global positioning system technology and geographic information systems.
- **Triage** – More mapping of mosquito density and disease occurrence could justify the focus of the program on certain high risk factor areas regardless of whether they are part of the cooperative agreement program. The downside is that some communities that are currently part of the cooperative agreement program might not receive as much or any State funding due to the need to shift funding to areas of higher risk. MDA indicates that it is prioritizing its work based on mosquito density and disease occurrence to the degree that local governments and resources allow.

DLS recommends that MDA comment on the future of the State’s mosquito control program.

3. Cover Crops Exceed Acreage Goal and Funding

The cover crop program has again exceeded expectations, both in terms of the amount of acres planted and the amount of funding required. The 2012-2013 planting season, which reflects fiscal 2013, has yielded an estimated final acreage of 413,974 acres and cost of \$21.9 million. **Exhibit 6** shows the cover crop implementation history. Since fiscal 2005, there has been an almost 700% increase in the amount of cover crop acres planted.

Exhibit 6
Cover Crop History
Fiscal 2005-2014

<u>Year</u>	<u>Initial Acres</u>	<u>Approved Acres</u>	<u>Fall Certification</u>	<u>Final Eligible Acres</u>	<u>Final Eligible Acres as a % Initial Acres</u>
2005	106,934	113,522	56,852	53,515	50%
2006	210,258	205,268	135,328	128,638	61%
2007	451,467	290,000	243,945	238,674	53%
2008	336,800	303,364	203,497	187,479	56%
2009	398,225	387,022	237,144	238,839	60%
2010	330,469	330,469	206,810	206,810	63%
2011	508,069	492,757	400,331	381,949	75%
2012	571,427	567,252	429,818	402,000	70%
2013 (est.)	607,433	604,186	414,007	413,974	68%
2014 (est.)	600,000	n/a	n/a	427,200	71%

Source: Maryland Department of Agriculture; Department of Legislative Services

The funding available for cover crops is obscured by the timing of budget amendments to increase the appropriation in MDA's budget. **Exhibit 7** reflects the estimated \$21.9 million funding need for fiscal 2013, which is lower than an original estimated amount of \$22.5 million due to a reduction in the retention rate of acres for cover crops to be planted. MDA currently only has \$13.2 million in appropriation available. However, it appears that MDA will seek a budget amendment to increase the Bay Restoration Fund special fund appropriation by \$4.8 million, and MDA expects to receive an increase of \$2.9 million from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. Finally, there is a \$1.6 million general fund deficiency budgeted for fiscal 2013. When all of these additional revenues are considered, there is estimated to be a surplus of \$0.5 million. However, MDA's needed funding calculation is based on an increase in the cost per acre from \$49.50 to \$53.00. If \$50.00 per acre is used in concert with the new environment acreage of 413,974, then MDA has sufficient planned appropriation without the \$1.6 million general fund deficiency. **DLS recommends that MDA comment on the timing of budget amendments for funding cover crops and the long-term acreage plan and funding for this program. In addition, DLS recommends that the \$1.6 million general fund deficiency for cover crops be deleted due to sufficient planned revenues at the \$50.00 per acre and 413,974-acre program level.**

Exhibit 7
Cover Crop Funding
Fiscal 2013 and 2014

	<u>Current</u> <u>2013</u>	<u>Revised</u> <u>2013</u>	<u>Projected</u> <u>2014</u>
Projected Signup Acres	607,000	607,000	600,000
Retention Rate	75.0%	68.2%	71.2%
Net Acres	455,250	413,974	427,200
Payment Per Acre	\$49.50	\$53.00	\$50.30
Total Projected Cost	\$22,534,875	\$21,940,622	\$21,488,160
Beginning Fund Balance	\$1,007,406	\$1,007,406	\$0
<i>Revenues</i>			
Projected Bay Restoration Fund	\$5,800,000	\$10,560,000	\$10,400,000
Projected 2010 Trust Fund	6,400,000	9,300,000	10,000,000
Fiscal 2013 General Fund Deficiency		1,600,000	
Total Resources Available	\$13,207,406	\$22,467,406	\$20,400,000
<i>Expenditures</i>			
Projected Cost	\$22,534,875	\$21,940,622	\$21,488,160
Projected Need	-\$9,327,469	\$526,784	-\$1,088,160

Note: Revenues reflect the amount the Maryland Department of Agriculture (MDA) dedicates to cover crops net of administrative expenses and other uses. Under the revised fiscal 2013 column, revenue from the Chesapeake and Atlantic Coastal Bays 2010 Trust, MDA reflects \$2.5 million in fiscal 2013 funding originally intended for Manure to Energy projects that MDA plans to repurpose for cover crops in fiscal 2013.

Source: Maryland Department of Agriculture

4. Special Fund Clarification Still Needed

During fiscal 2012, MDA submitted a budget amendment that would have transferred \$180,000 in special fund revenues from a loose collective of four State Chemist special funds to the Pesticide Fund. This transfer was in direct contradiction to statute. The budget amendment was submitted in order to provide for contractual services related to a pesticide survey and a statewide effort to dispose of unused/unwanted pesticides. While this was eventually resolved by funding the work directly out of the State Chemist's funds, MDA's proposed transfer treated the Pesticide Fund and State Chemist funds as a consolidated fund despite distinct statutory references and parameters.

Senate Bill 180 (Department of Agriculture – State Chemist Fund) has been introduced in the 2013 session. This departmental bill consolidates the four different special funds, which support programs administered by the State Chemist Fund, into a single State Chemist Fund to be used only to partially defray the cost of administering the programs. This appears to resolve the concern that MDA was treating the four State Chemist special funds as one fund, but it is not clear whether this addresses the second question of MDA using the State Chemist funds for work in the Pesticide Regulation program. One solution to this problem would be to consolidate the State Chemist funds with the Pesticide Fund. **DLS recommends that MDA comment on whether SB 180 would resolve the issue of whether MDA has the authority to use the State Chemist funds for work in the Pesticide Regulation program.**

5. Pet Food Surcharge May Limit State Chemist Fee Flexibility

The Task Force on the Establishment of a Statewide Spay/Neuter Fund was established in accordance with Chapter 266 of 2011 (SB 639) and extended by Chapters 273 and 274 of 2012 (SB 609/HB 936). The task force was charged with (1) collecting and reviewing data on the number of spay and neuter services performed each year in the State and the unmet need for the services; (2) reviewing ongoing successful local spay and neuter programs in the State; (3) reviewing spay and neuter programs in other states and identifying best practices; (4) making recommendations on the most appropriate funding mechanism for a spay/neuter fund; and (5) making recommendations on the establishment of a fund.

In December 2012, the task force submitted a report with the recommendation to impose a surcharge of approximately \$100 annually on pet food brand registration in order to fund a competitive grant program and statewide veterinarian reimbursement voucher program for low-cost spay and neuter surgeries and free rabies vaccine shots. HB 767/SB 820 (Animal Welfare – Spay/Neuter Fund – Establishment) has been introduced in the 2013 session in order to implement the recommendations of the task force.

MDA has raised the concern that the \$100 increase in the pet food brand registration would limit the flexibility it has to seek future fee increases, if they are needed. The pet food brand registration revenue supports the State Chemist program's work: sampling and chemically testing and analyzing commercial fertilizers, feeds, pesticides, soil conditioners, composts, and liming materials sold in the State to determine if products conform to required standards. **DLS recommends that MDA comment on the impact of HB 767/SB 820 on its management of State Chemist activities funded by pet food brand registration fees.**

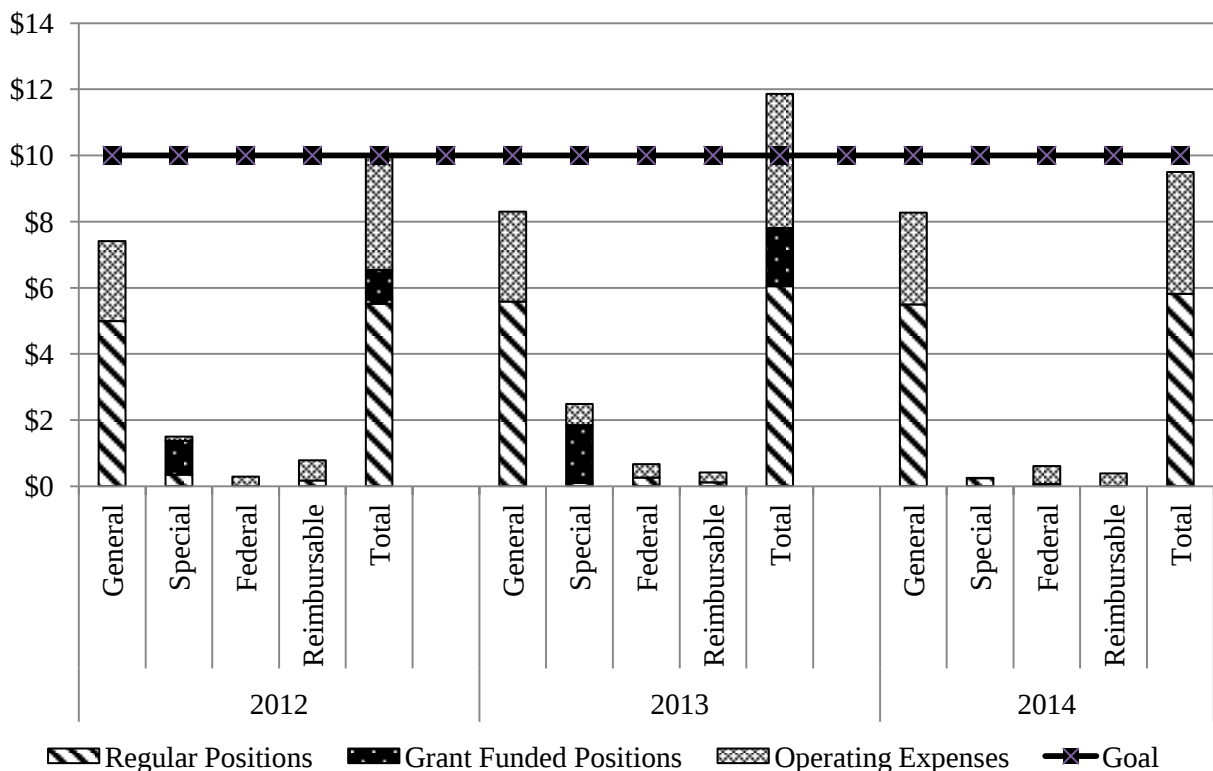
6. Soil Conservation District Field Personnel Summary Information

Section 8-405 of the Agriculture Article mandates that the Governor shall include in the annual budget bill an amount sufficient to employ not less than 110 field personnel in the soil conservation districts and that the appropriation for fiscal 2011 and beyond shall be \$10 million. It has been difficult to independently verify funding for the 110 soil conservation field personnel and

\$10 million funding level for soil conservation district field personnel. Therefore, the committees requested that MDA submit a report with its fiscal 2014 budget submission on the fiscal 2012 actual, fiscal 2013 working appropriation, and fiscal 2014 allowance data for soil conservation district field personnel position counts and funding both within MDA and funded by MDA through grants to soil conservation districts. MDA submitted the requested report, which reflects the soil conservation district funding and staffing levels hereafter.

Exhibit 8 shows that MDA was near the \$10.0 million statutory funding level for soil conservation districts in fiscal 2012 and exceeded the requirement in fiscal 2013, when all sources of funding are considered. For fiscal 2014, MDA indicates that \$2.6 million is programmed in Chesapeake and Atlantic Coastal Bays 2010 Trust Fund monies for funding contractual FTE grant positions in the soil conservation districts, but funding has not been allocated yet. Once this funding is accounted for, the \$10.0 million funding mandate will be met in fiscal 2014 as well.

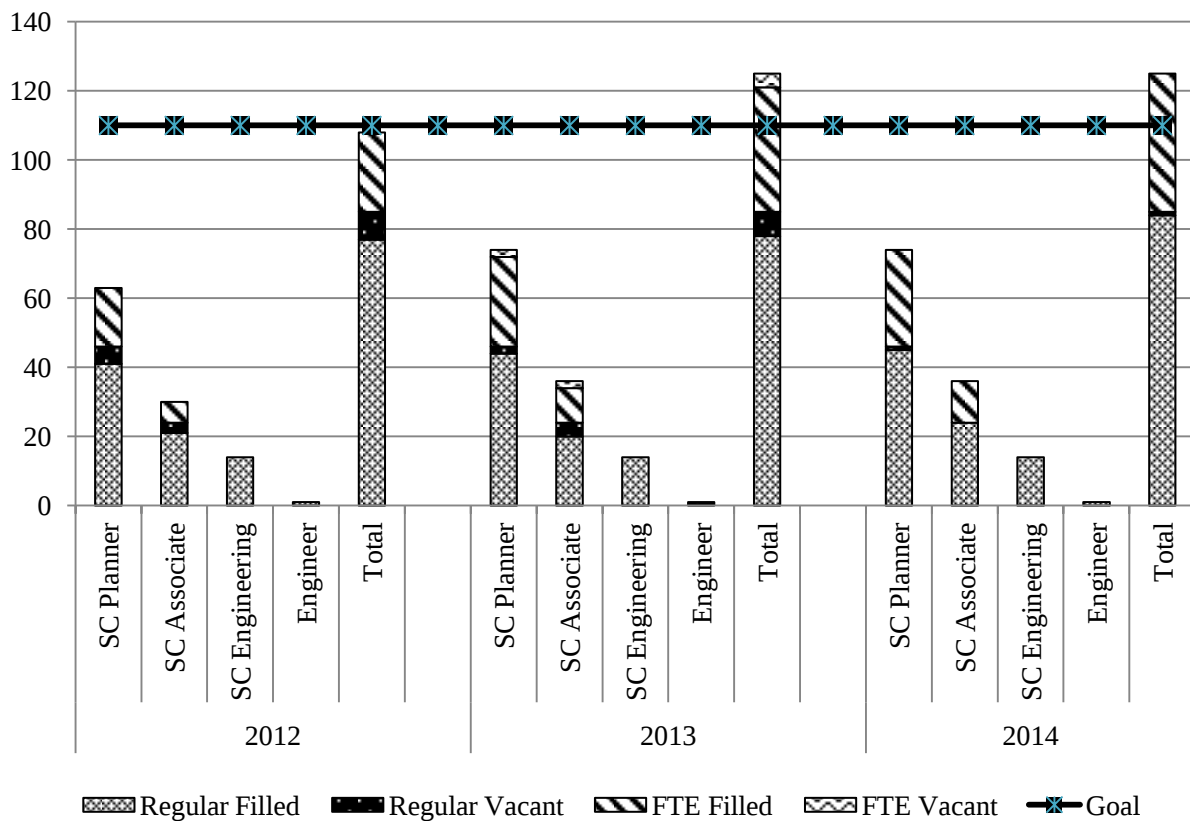
Exhibit 8
Soil Conservation District Funding
Fiscal 2012-2014
(\$ in Millions)



Source: Maryland Department of Agriculture; Department of Legislative Services

Exhibit 9 shows the field position detail for soil conservation districts. The 110 soil conservation field personnel goal is met in fiscal 2013 and 2014 when all regular and contractual positions are counted, regardless of whether they are filled. In addition, when the requirement is interpreted as filled positions only, the statutory requirement is also met in fiscal 2013 and 2014. However, MDA notes that it will require 160 soil conservation district field personnel to meet the best management practice goals for the Watershed Implementation Plan for Chesapeake Bay restoration. **DLS recommends that MDA comment on the plan to fund 160 soil conservation district field personnel.**

Exhibit 9
Soil Conservation District Field Positions
Fiscal 2012-2014



FTE: full-time equivalent

SC: soil conservation

Note: The Maryland Department of Agriculture indicates that for fiscal 2013, soil conservation districts have used Chesapeake and Atlantic Coastal Bays 2010 Trust Fund monies to hire 3 additional contractual FTEs since the submission of the report and that it anticipates 1 more contractual FTE to be hired, which would bring its filled staffing position for fiscal 2013 to 118.

Source: Maryland Department of Agriculture; Department of Legislative Services

Recommended Actions

1. Add the following language to the special fund appropriation:

, provided that this appropriation is reduced by \$100,000 for administrative expenses and by \$96,000 for infrastructure grants for the Tri-County Council. It is the intent of the General Assembly that special funds for the Tri-County Council should be phased out as follows:

	<u>TCC Administration</u>	<u>Infrastructure Grants</u>
<u>FY 2015</u>	<u>\$300,000</u>	<u>\$288,000</u>
<u>FY 2016</u>	<u>\$200,000</u>	<u>\$192,000</u>
<u>FY 2017</u>	<u>\$100,000</u>	<u>\$ 96,000</u>
<u>FY 2018</u>	<u>\$ 0</u>	<u>\$ 0</u>

Following fiscal 2017 it is the General Assembly's intent that no funding be provided to the Tri-County Council from the Cigarette Restitution Fund under the program to transition farmers from growing tobacco in Southern Maryland given the accomplishment of the primary goal – the tobacco buyout.

Explanation: This action reduces fiscal 2014 funding for the Tri-County Council by one-fifth and states the General Assembly's intent that funding be reduced in equal increments over a five-year time period ending with final funding in fiscal 2018. Final tobacco buyout funding is provided in fiscal 2014 in the Maryland Department of Agriculture's pay-as-you-go capital budget, and the final repayment of general obligation bond funding provided to accelerate the tobacco buyout is scheduled for fiscal 2018. Therefore, it is appropriate to phase out the operating aspects of the program over the same time period.

	<u>Amount Reduction</u>
2. Delete the general fund deficiency appropriation for cover crops. Sufficient planned revenues are available to handle funding for 413,974 acres of cover crops at \$50 per acre, which is above the original per acre estimate of \$49.50.	\$ 1,600,000 GF
Total Reductions to Fiscal 2013 Deficiency	\$ 1,600,000

Updates

1. Status of Brown Marmorated Stink Bug and Emerald Ash Borer

The brown marmorated stink bug and emerald ash borer, both invasive pest insects, continue their geographic expansion, population increases, and economic impacts. All counties west of the Chesapeake Bay and the Susquehanna River are under State and federal quarantine for the emerald ash borer, although federal funding for trapping the insect to determine its presence has been reduced. MDA is the lead agency for biological control in Maryland and has made biocontrol releases of three parasitoids at 24 release sites since 2009, with 12 sites in 2012.

MDA indicates that brown marmorated stink bug numbers are expected to increase substantially this year and that the U.S. Department of Agriculture's Agricultural Research Service estimated \$37 million in losses for Maryland apples in 2010 as a result of brown marmorated stink bug depredation. The brown marmorated stink bug is not a regulated pest, and so MDA is not directly involved in management. Instead, the U.S. Department of Agriculture and the University of Maryland, College Park have taken the lead on management.

Current and Prior Year Budgets

Current and Prior Year Budgets Maryland Department of Agriculture (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2012					
Legislative Appropriation	\$26,757	\$23,135	\$4,151	\$3,797	\$57,840
Deficiency Appropriation	3,608	0	0	0	3,608
Budget Amendments	-92	14,995	980	476	16,359
Reversions and Cancellations	-1,395	-1,638	-790	-440	-4,264
Actual Expenditures	\$28,877	\$36,492	\$4,342	\$3,832	\$73,542
Fiscal 2013					
Legislative Appropriation	\$27,313	\$23,753	\$4,680	\$3,533	\$59,279
Budget Amendments	-143	10,071	59	191	10,178
Working Appropriation	\$27,170	\$33,824	\$4,739	\$3,724	\$69,457

Note: Numbers may not sum to total due to rounding.

Fiscal 2012

The general fund appropriation increased by \$2,119,851. The changes are as follows:

- **Deficiency Appropriation** – an increase of \$3,607,500 for supporting cover crop payments to farmers;
- **Budget Amendments** – a net decrease of \$92,173 due to the realignment to DNR of the appropriation and 3 positions from the Aquaculture Development and Seafood Marketing program as part of the transfer of aquaculture responsibilities per Natural Resources – Aquaculture (Chapter 411 of 2011) (\$280,611), which is partially offset by an increase from the allocation of the general fund portion of the \$750 bonus as authorized in the fiscal 2012 budget bill (\$188,438); and
- **Reversions** – a decrease of \$1,395,476, primarily as a result of reversions in Resource Conservation Grants due to unneeded appropriation for the Cover Crop Program (\$1,373,506), and Resource Conservation Operations due to unneeded appropriation (\$21,620).

The special fund appropriation increased by \$13,356,667. The changes are as follows:

- **Budget Amendments** – an increase of \$14,994,962 due to increases for realigning to MDA from DNR the appropriation for cover crops from Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revenues (\$11,980,000); for realigning to MDA from DNR the appropriation for technical assistance from Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revenues (\$1,200,000); for grants from Racing Commission horseracing revenues deferred from fiscal 2011 and new estimated revenue from fiscal 2012 (\$719,175); for Conservation Reserve Enhancement Program grants from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund (\$350,000); for a pesticide survey and a statewide effort to dispose of unused/unwanted pesticides in State Chemist fund (\$180,000); for two chromatograph machines in State Chemist fund (\$179,400); for vehicle replacement and maintenance in Weights and Measures (\$134,000); for salaries for handling budgeted turnover in Weights and Measures (\$77,000); for allocating the special fund portion of the \$750 bonus as authorized in the fiscal 2012 budget bill (\$76,887); for covering salary shortfalls due to not meeting budgeted turnover in the Turf and Seed, Plant Protection, and Weed Management, and State Board of Veterinary Medical Examiners programs (\$71,500); for a partnership between the U.S. Forest Service, DNR, MDA, Natural Resources Conservation Service, and National Fish and Wildlife Foundation associated with Farm Bill conservation programs and high priority brook trout conservation needs (\$30,000); and for enhancing the mosquito ground spraying program from county and other participation funding (\$3,000), which are partially offset by a reduction for contractual services as part of the transfer of aquaculture responsibilities to DNR per Chapter 411 of 2011 (\$6,000).

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- **Cancellations** – a decrease of \$1,638,295 primarily as a result of cancellations due to unneeded appropriations in the Maryland Agricultural Land Preservation Foundation (\$504,862), Weights and Measures (\$302,483), Food Quality Assurance (\$212,305), Mosquito Control (\$189,921), Forest Pest Management (\$141,747), and Resource Conservation Operations (\$102,848).

The federal fund appropriation increased by \$190,253 as follows:

- **Budget Amendments** – an increase of \$979,992 for contractual services, contractual salaries, and vehicles to accelerate comprehensive nutrient management plan development and conservation practice implementation on Maryland’s Eastern Shore and to implement conservation practices in target watersheds in Resource Conservation Operations (\$520,500); for salaries in Animal Health from existing and anticipated federal revenue (\$120,000); for covering salary shortfalls due to not meeting budgeted turnover in Pesticide Regulation (\$72,000); for contractual services for several building maintenance initiatives in Central Services (\$64,433); for insecticide supplies for the fall and spring hemlock woolly adelgid suppression in Forest Pest Management (\$55,000); for Farmer’s Market Nutrition Program grants in Marketing and Agriculture Development (\$51,050); for contractual position costs associated with a forest pest survey in Forest Pest Management from existing and anticipated federal revenue (\$34,500); for purchasing a new vehicle and additional salary costs in Food Quality Assurance from existing and anticipated federal revenue (\$31,000); for contractual service and postage and printing costs for targeted surveys in Maryland Agricultural Statistics Service (\$19,000); and for allocating the federal fund portion of the \$750 bonus as authorized in the fiscal 2012 budget bill (\$12,509); and
- **Cancellations** – a decrease of \$789,739 primarily as a result of cancellations due to unneeded appropriation in Resource Conservation Operations (\$287,605), Marketing and Agriculture Development (\$264,131), and Plant Protection and Weed Management (\$105,884).

The reimbursable fund appropriation increased by \$35,730. The changes are as follows:

- **Budget Amendments** – a net increase of \$475,765 due to increases related to funding transferred internally from prior year agency indirect funding for contractual services for several building maintenance initiatives (\$147,962); transferred from the Department of Business and Economic Development to the Rural Maryland Council from Invest Maryland funding (\$79,210); transferred from DNR from the Local Implementation Grant for the Middle Chester Partners Greenseeker Project (\$77,200); transferred from Watershed Implementation Plan no-cost extension funding for contractual services for Watershed Implementation Plan development for Chesapeake Bay restoration (\$71,000); transferred internally from prior year agency indirect funding for the shift of an existing position’s salary funding source (\$54,693); transferred from DNR to the Program Planning and Development program to accommodate the costs for 3 part-time personnel to perform outreach to landowners for the Conservation Reserve Enhancement Program (\$43,700); transferred from the Maryland Department of the Environment from the Chesapeake Bay Regulatory and

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Accountability Program Grant for a Rapid Response Compliance Specialist (\$32,800); transferred from the Maryland Department of the Environment for contractual services with the University of Maryland Extension related to nutrient management plan development (\$32,700); transferred from DNR from the Coastal Zone Management Division's Chesapeake Bay Implementation Grant Projects in Priority Watersheds initiative in order to fund salary shortfalls in the Maryland Agricultural Cost-Share program (\$13,500); transferred from the Department of Health and Mental Hygiene (DHMH) to the Marketing and Agricultural Development program to increase the printing funding associated with the WIC Coupon Program (\$8,000); and transferred from DHMH for an interagency agreement on arbovirus surveillance and West Nile virus (\$5,000), which are partially offset by a reduction for contractual services and grant funding as part of the transfer of aquaculture responsibilities to DNR per Natural Resources – Aquaculture (Chapter 411 of 2011) (\$90,000); and

- **Cancellations** – a decrease of \$440,035 primarily as a result of cancellations due to an unneeded appropriation in Central Services (\$244,099), and Nutrient Management (\$105,517).

Fiscal 2013

MDA's general fund appropriation decreases by a net of \$143,464 by budget amendments. A budget amendment decreased the appropriation by \$172,885 in order to realign funding to DoIT for the positions and associated funding related to Geographic Information Systems and web design in accordance with Sections 19 and 20 of the fiscal 2013 budget bill. This decrease was partially offset by an increase of \$29,421 to allocate the annual salary review new classification for the nutrient management specialist III position in the Office of Resource Conservation – Nutrient Management.

MDA's special fund appropriation increases by \$10,071,059 due to budget amendments. The largest increase is for an overall allocation of \$9,400,000 in the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund funding from DNR for cover crops in Resource Conservation Grants (\$6,400,000), for agency technical assistance costs in Resource Conservation Operations (\$2,200,000), and for Conservation Reserve Enhancement Program bonus payments in Resource Conservation Grants (\$800,000) based on the revised 2013 work plan, which reflected the reduced need for 2010 Trust Fund monies for cover crops as a result of the increase in the Bay Restoration Fund fee. Other increases are for purchasing a specialized weight truck and reducing turnover based on revenues generated by Chapter 22 of 2012 (Weights and Measures – Registration Fees) from the Equipment Testing and Licensing and Registration funds in Weights and Measures (\$273,196); for additional grants to local fairs and shows from Racing Revenue fund revenues deferred from the fiscal 2012 allocation in the Maryland Agricultural Fair Board (\$170,936); for reallocating the fiscal 2013 special fund appropriation for the COLA since the General Assembly created a special fund source, Budget Restoration Fund, during the First Special Session of 2012 in order to fund the general fund share of the COLA (\$142,985); for urban nutrient management from the Chesapeake Bay Trust as the first installment of a two-year grant for \$100,000 in the Office of Resource Conservation – Nutrient Management program (\$50,000); for hiring a contractual employee from the

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Private Grants fund in the Office of Resource Conservation – Program Planning and Development program (\$30,000); and for additional agricultural education grants from the Private Grants fund in the Maryland Agricultural Education and Rural Development Assistance Fund program (\$3,942).

MDA's federal fund appropriation increases by \$59,357 due to budget amendments. The budget amendments increase the appropriation by \$50,000 to allocate federal indirect cost revenue to support utility expenses in Central Services and by \$9,357 to allocate the fiscal 2013 special fund appropriation for the COLA.

MDA's reimbursable fund appropriation increases by \$191,168 due to budget amendments. The budget amendments increase the appropriation by \$170,790 for funding transferred from the Department of Business and Economic Development to the Rural Maryland Council, as part of the Invest Maryland funding, and by \$20,378 for an internal transfer to the Rural Maryland Council in order to allow it to use the remaining Invest Maryland funding in fiscal 2013.

**Object/Fund Difference Report
Department of Agriculture**

<u>Object/Fund</u>	<u>FY 12 Actual</u>	<u>FY 13 Working Appropriation</u>	<u>FY 14 Allowance</u>	<u>FY 13 - FY 14 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	391.50	383.60	382.60	-1.00	-0.3%
02 Contractual	42.92	45.65	41.90	-3.75	-8.2%
Total Positions	434.42	429.25	424.50	-4.75	-1.1%
Objects					
01 Salaries and Wages	\$ 26,971,631	\$ 27,494,447	\$ 28,069,443	\$ 574,996	2.1%
02 Technical and Spec. Fees	1,252,834	1,446,532	1,085,482	-361,050	-25.0%
03 Communication	669,679	704,889	731,907	27,018	3.8%
04 Travel	308,975	180,261	238,449	58,188	32.3%
06 Fuel and Utilities	903,287	944,260	896,396	-47,864	-5.1%
07 Motor Vehicles	1,322,483	1,383,701	1,255,759	-127,942	-9.2%
08 Contractual Services	5,209,184	6,059,267	6,902,561	843,294	13.9%
09 Supplies and Materials	1,235,284	1,129,411	1,174,811	45,400	4.0%
10 Equipment – Replacement	594,286	320,345	700,478	380,133	118.7%
11 Equipment – Additional	180,613	199,841	151,044	-48,797	-24.4%
12 Grants, Subsidies, and Contributions	30,395,402	24,763,150	19,466,290	-5,296,860	-21.4%
13 Fixed Charges	4,353,666	4,406,223	4,418,658	12,435	0.3%
14 Land and Structures	144,995	425,000	163,476	-261,524	-61.5%
Total Objects	\$ 73,542,319	\$ 69,457,327	\$ 65,254,754	-\$ 4,202,573	-6.1%
Funds					
01 General Fund	\$ 28,876,943	\$ 27,169,539	\$ 27,682,355	\$ 512,816	1.9%
03 Special Fund	36,491,501	33,824,422	28,592,001	-5,232,421	-15.5%
05 Federal Fund	4,341,618	4,739,001	5,534,526	795,525	16.8%
09 Reimbursable Fund	3,832,257	3,724,365	3,445,872	-278,493	-7.5%
Total Funds	\$ 73,542,319	\$ 69,457,327	\$ 65,254,754	-\$ 4,202,573	-6.1%

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.

**Fiscal Summary
Department of Agriculture**

<u>Program/Unit</u>	<u>FY 12 Actual</u>	<u>FY 13 Wrk Approp</u>	<u>FY 14 Allowance</u>	<u>Change</u>	<u>FY 13 - FY 14 % Change</u>
11 Office of the Secretary	\$ 8,371,973	\$ 8,124,351	\$ 7,995,615	-\$ 128,736	-1.6%
12 Office of Marketing, Animal Industries and Consumer Services	18,251,205	19,847,751	19,695,387	-152,364	-0.8%
14 Office of Plant Industries and Pest Management	10,581,185	10,509,374	10,847,412	338,038	3.2%
15 Office of Resource Conservation	36,337,956	30,975,851	26,716,340	-4,259,511	-13.8%
Total Expenditures	\$ 73,542,319	\$ 69,457,327	\$ 65,254,754	-\$ 4,202,573	-6.1%
General Fund	\$ 28,876,943	\$ 27,169,539	\$ 27,682,355	\$ 512,816	1.9%
Special Fund	36,491,501	33,824,422	28,592,001	-5,232,421	-15.5%
Federal Fund	4,341,618	4,739,001	5,534,526	795,525	16.8%
Total Appropriations	\$ 69,710,062	\$ 65,732,962	\$ 61,808,882	-\$ 3,924,080	-6.0%
Reimbursable Fund	\$ 3,832,257	\$ 3,724,365	\$ 3,445,872	-\$ 278,493	-7.5%
Total Funds	\$ 73,542,319	\$ 69,457,327	\$ 65,254,754	-\$ 4,202,573	-6.1%

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.