

**L00A**  
**Department of Agriculture**

***Operating Budget Data***

(\$ in Thousands)

	<b><u>FY 13</u></b> <b><u>Actual</u></b>	<b><u>FY 14</u></b> <b><u>Working</u></b>	<b><u>FY 15</u></b> <b><u>Allowance</u></b>	<b><u>FY 14-15</u></b> <b><u>Change</u></b>	<b><u>% Change</u></b> <b><u>Prior Year</u></b>
General Fund	\$27,075	\$27,983	\$29,400	\$1,417	5.1%
Contingent & Back of Bill Reductions	0	-1,135	-1,373	-238	
<b>Adjusted General Fund</b>	<b>\$27,075</b>	<b>\$26,848</b>	<b>\$28,027</b>	<b>\$1,179</b>	<b>4.4%</b>
Special Fund	43,810	45,238	50,464	5,225	11.6%
Contingent & Back of Bill Reductions	0	0	-96	-96	
<b>Adjusted Special Fund</b>	<b>\$43,810</b>	<b>\$45,238</b>	<b>\$50,368</b>	<b>\$5,129</b>	<b>11.3%</b>
Federal Fund	3,671	5,649	4,257	-1,392	-24.6%
Contingent & Back of Bill Reductions	0	0	-11	-11	
<b>Adjusted Federal Fund</b>	<b>\$3,671</b>	<b>\$5,649</b>	<b>\$4,246</b>	<b>-\$1,403</b>	<b>-24.8%</b>
Reimbursable Fund	2,298	3,615	3,102	-512	-14.2%
<b>Adjusted Reimbursable Fund</b>	<b>\$2,298</b>	<b>\$3,615</b>	<b>\$3,102</b>	<b>-\$512</b>	<b>-14.2%</b>
<b>Adjusted Grand Total</b>	<b>\$76,853</b>	<b>\$81,350</b>	<b>\$85,743</b>	<b>\$4,393</b>	<b>5.4%</b>

- The Maryland Department of Agriculture (MDA) budget includes fiscal 2014 negative deficiencies totaling \$276,000 in general funds as part of cost containment.
- MDA's budget increases \$4.4 million, or 5.4%. The major change is an increase of \$2.7 million in Tobacco Transition Program agricultural land preservation funding that is usually budgeted as part of MDA's pay-as-you-go (PAYGO) capital budget appropriation. The budget also includes \$17.6 million in double-budgeted Chesapeake and Atlantic Coastal Bays 2010 Trust Fund monies since the entirety of this funding is in the Department of Natural Resources' fiscal 2015 operating budget. This funding normally would be allocated by budget amendment once the budget is enacted.

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

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- Adjusting for the proposed allocation of \$2.0 million more in special funds from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund than is currently reflected in MDA's budget and the \$2.7 million that should be budgeted in MDA's PAYGO capital budget, the budget increases \$3.7 million between fiscal 2014 and 2015.

## ***Personnel Data***

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	<b><u>FY 13 Actual</u></b>	<b><u>FY 14 Working</u></b>	<b><u>FY 15 Allowance</u></b>	<b><u>FY 14-15 Change</u></b>
Regular Positions	382.60	383.10	385.10	2.00
Contractual FTEs	<u>36.30</u>	<u>40.70</u>	<u>38.30</u>	<u>-2.40</u>
<b>Total Personnel</b>	<b>418.90</b>	<b>423.80</b>	<b>423.40</b>	<b>-0.40</b>

### ***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	24.67	6.44%
Positions and Percentage Vacant as of 12/31/13	31.00	8.09%

- Regular positions are increased by 2.0, both contractual conversions, in the fiscal 2015 allowance. The positions are an agricultural marketing specialist III (in Marketing, Animal Industries and Consumer Services – Marketing and Agricultural Development – Agricultural Marketing) and an agricultural supervisor inspection I field inspection position (in Plant Industries and Pest Management – Mosquito Control – Salisbury).
- Contractual full-time equivalents (FTE) decrease by 2.40 as follows: decrease of 2.3 FTEs in Food Quality Assurance, 1.0 FTE in Forest Pest Management, 0.4 FTE in State Chemist, and 0.2 FTE in Mosquito Control. Contractual FTE increases include 1.0 FTE in State Board of Veterinary Medical Examiners and 0.5 FTE in Marketing and Agricultural Development. The 1.0 FTE increase in the State Board of Veterinary Medical Examiners will provide administrative support to the new Spay/Neuter program.
- Turnover expectancy is increased from 6.20% in the fiscal 2014 working appropriation to 6.44% in the fiscal 2015 allowance.

## *Analysis in Brief*

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### **Major Trends**

**Maryland Had the Ninth Highest Direct Sales Value Per Farm in 2007:** Maryland had the ninth highest value of agricultural products sold directly to individuals for human consumption per the number of farms executing those sales in 2007.

**Nutrient Management Plan Compliance:** Audit and inspection results indicate that about 6%, or 323 farms, may be overapplying fertilizer.

**Gypsy Moths Increasing:** Gypsy moth populations are increasing.

### **Issues**

**Cover Crops Not the Most Cost-effective Practice:** Cover crops are one of the most effective best management practices for reducing nitrogen loads to the Chesapeake Bay and are a substantial portion of MDA's operating budget. However, cover crop cost-efficiency for nitrogen removal is rivaled by a number of other best management practices and is not cost-effective for phosphorus removal. This raises the question of whether cover crops should be the centerpiece of MDA's best management practice portfolio. **The Department of Legislative Services (DLS) recommends that MDA comment on why other more cost-effective best management practices available for cropland are not being funded or used at the same rate as cover crops.**

**MDA Audit Has Four Repeat Findings:** The Joint Audit Committee (JAC) continues to be concerned about the number and frequency of repeat findings in audits conducted by the Office of Legislative Audits (OLA). In an effort to see these findings satisfactorily resolved, JAC has asked the budget committees to consider action in the agency budgets where such findings occur. There were four repeat audit findings in MDA's April 2013 audit, which meets JAC's threshold. **DLS recommends that \$100,000 in funding be withheld in MDA's operating budget until OLA has determined that the repeat audit findings have been corrected.**

**Spay and Neuter Program Starting Up:** Chapters 561 and 562 of 2013 (Animal Welfare – Spay/Neuter Fund – Establishment) established a fee on dog and cat commercial feed registered in the State and created a Spay/Neuter Fund in MDA. The fund is intended to reduce animal shelter overpopulation and cat and dog euthanasia rates by financing grants for programs that facilitate and promote spay and neuter services. In November 7, 2013, the Spay and Neuter Advisory Board was selected, but a program manager has not been hired yet; therefore, performance measures for the program have not been developed. **DLS recommends that MDA comment on why the revenue estimates are lower than estimated in the fiscal note, the status on hiring the program administrator, and appropriate performance measures for the program.**

***Maryland Horse Industry Board Sunset Extension:*** HB 256 and SB 294 (Maryland Horse Industry Board – Sunset Extension and Program Evaluation) have been introduced in the 2014 legislative session. The bills implement DLS recommendations stemming from the preliminary sunset evaluation report on the Maryland Horse Industry Board as adopted by the Legislative Policy Committee at its December 17, 2013 meeting. **DLS recommends that MDA comment on the impact of possibly repealing the limitation on the board’s use of funds from the commercial equine feed assessment and the status of the Maryland horse park study.**

## **Recommended Actions**

	<u><b>Funds</b></u>
1. Add budget bill language on repeat audit findings.	
2. Reduce Tobacco Transition Program funding for agricultural land preservation.	\$ 799,000
3. Strike the Maryland Agricultural and Resource-Based Industry Development Corporation budget bill language.	
4. Concur with the Governor’s proposed reduction to the Maryland Agricultural and Resource-Based Industry Development Corporation appropriation.	1,125,000
5. Reduce funding attributable to double-counted Chesapeake and Atlantic Coastal Bays 2010 Trust Fund appropriation.	17,600,000
<b>Total Reductions</b>	<b>\$ 19,524,000</b>

**L00A**  
**Department of Agriculture**

***Operating Budget Analysis***

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**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. Starting in fiscal 2015, the office also administers the new Spay/Neuter program.
- **Office of Plant Industries and Pest Management:** Manages forest pests; implements mosquito control services; regulates pesticides and pesticide applicators; administers nursery inspections, 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**

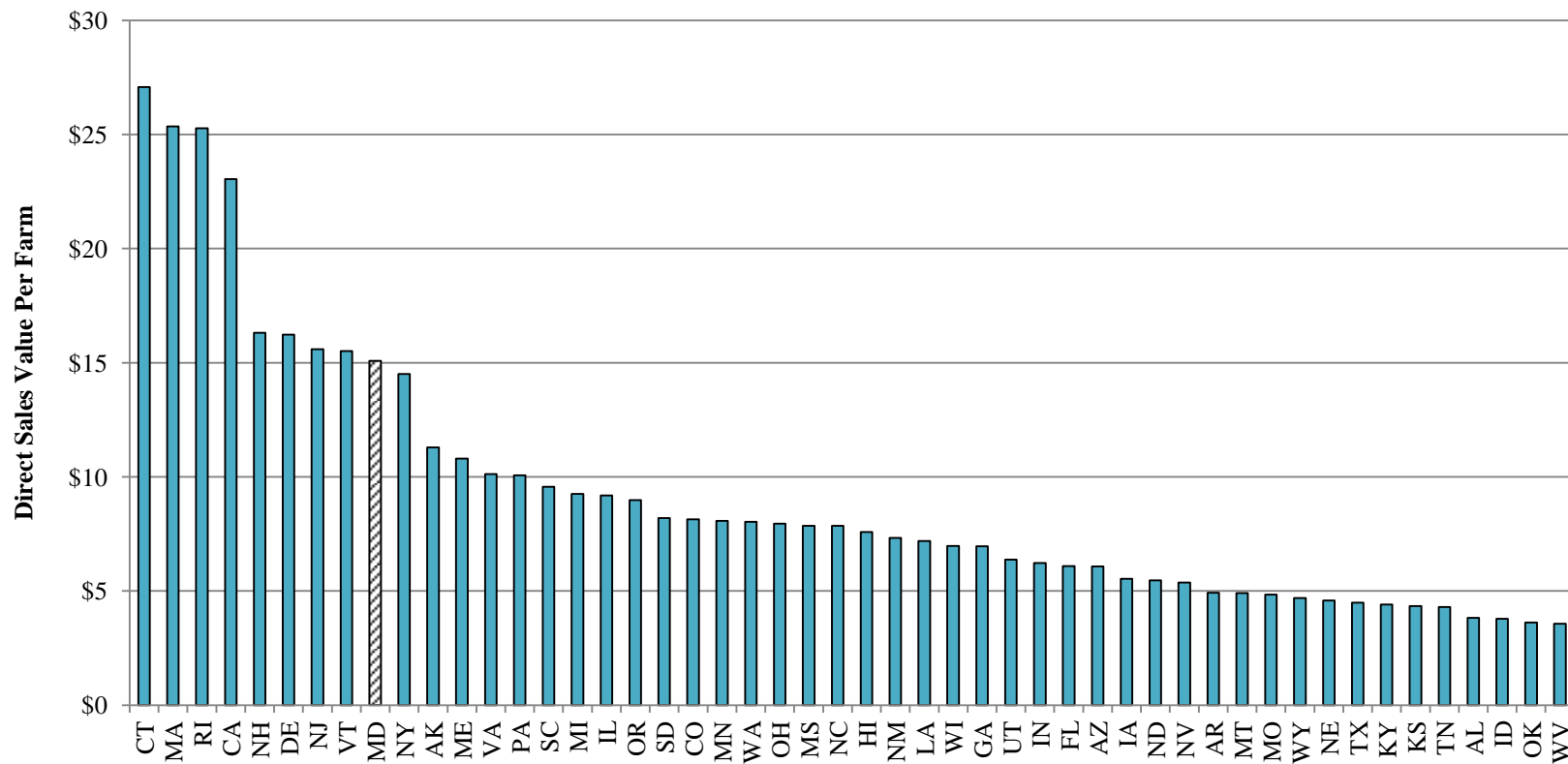
The analysis of MDA's fiscal 2015 Managing for Results submission reflects that Maryland had the ninth highest direct sales value per farm in 2007, the possibility of nutrient management plan compliance over-fertilization issues affecting on the order of 323 farms, and increasing gypsy moth populations.

### **1. Maryland Had the Ninth Highest Direct Sales Value Per Farm in 2007**

Promoting profitable production, use, and sale of Maryland agricultural products is one of MDA's overarching goals. Data on the value of agricultural products sold directly to individuals for human consumption per the number of farms executing those sales is one such measure of MDA's ability to meet this goal. This data includes the value of agricultural products produced and sold directly to individuals for human consumption from roadside stands, farmers' markets, and pick-your-own sites, among others.

The most recent data on this measure would be available from the 2012 Census of Agriculture, which the U.S. Department of Agriculture (USDA) planned to release on February 4, 2014. However, the report has been delayed due to the federal government shutdown in October 2013. Instead, data is provided in **Exhibit 1** showing this measure for the 2007 agricultural census. This data reflects that Maryland has the ninth highest value of direct sales of agricultural products for human consumption per direct sales farm. **The Department of Legislative Services (DLS) recommends that MDA comment on the expected trend in direct sales for calendar 2012 and the role of direct sales in Maryland's overall agricultural economy.**

**Exhibit 1**  
**Direct Sales of Agricultural Products for Human Consumption Per Direct Sales Farm**  
**Calendar 2007**  
**(\$ in Thousands)**



Source: 2007 Census of Agriculture

## **2. Nutrient Management Plan Compliance**

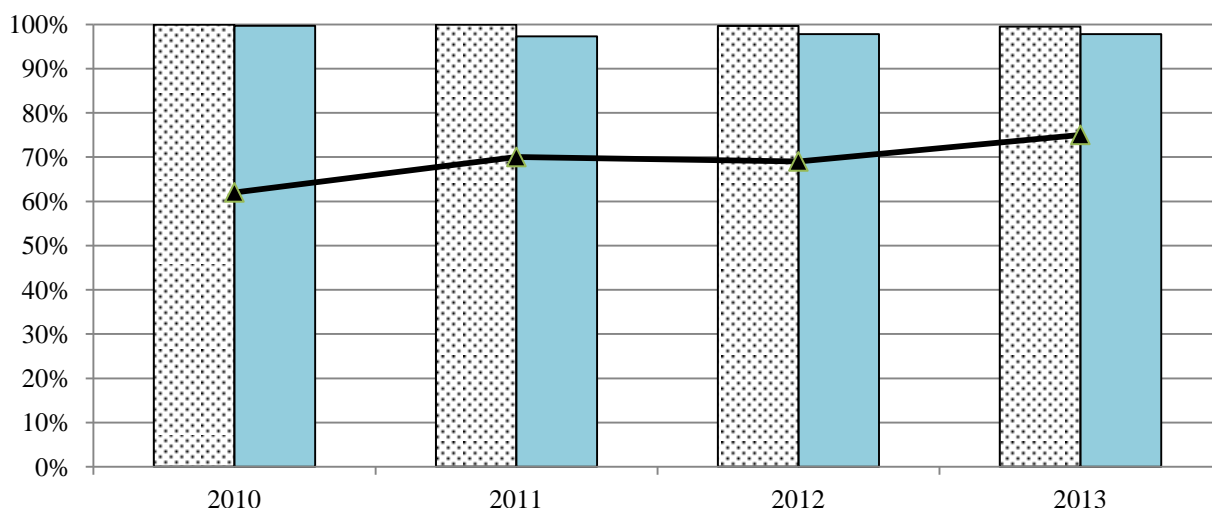
MDA's Nutrient Management program has a goal to minimize nutrient losses from agricultural operations and non-agricultural nutrient users to the Chesapeake Bay and waters of the State. The corresponding objective is to ensure all applicable Maryland farmers have and implement their nutrient management plans developed by certified consultants, keep records pertaining to their plan, file a copy of their plan with MDA, and update their plan as needed on the timeframe set by the plan. Nutrient management plans are required for agricultural operations with more than \$2,500 in gross income or a livestock operation with more than eight animal units – defined as 1,000 pounds of live animal weight per animal unit. In addition, beginning on October 1, 2013, MDA's regulatory authority expanded to include more than 1,500 lawn care professionals who will need to be certified to apply lawn fertilizer.

**Exhibit 2** shows three nutrient management plan compliance metrics. In general, Exhibit 2 reflects nearly 100.0% of regulated farm operators submitting the required initial nutrient management plan, which only needs to be submitted once, and the annual implementation reports. However, audits and inspections reveal compliance issues. A breakdown of the data for fiscal 2013 follows.

- **Nutrient Management Plan Submission** – There were 5,382 regulated farm operators, and 99.5% of these operators met the requirement to submit their initial nutrient management plan to MDA. MDA initiated progressive enforcement actions against 27 operators, the 0.5% who were not in compliance with this requirement.
- **Annual Implementation Reports** – Of the 5,382 regulated farm operators, only 5,271 were required to submit annual implementation reports, which update nutrient management plans. The remainder had submitted new nutrient management plans and thus were not required to submit annual implementation reports. MDA initially issued warning notices to 1,417 of the 5,271 farm operators, but through notices of pending fines and default notices, it was able to increase compliance to 97.8%. MDA collected \$6,750 in fines for late or missing annual implementation reports.
- **On-farm Audits and Inspections** – Seven MDA nutrient management specialists conducted 738 on-farm audits, which is 13.7% of the 5,382 regulated farm operators. Out of 738 audits, there were 189 warnings to correct major violations issued. Therefore, 74.4% of the audited farms were in compliance. Assuming that the audited farms were representative of the total regulated farm operators, there could be 1,350 farms, 25.0% of the total, with major violations. However, MDA notes that based on its audits, it is estimated that there are only about 6.0%, or 323, of the 5,382 farm operators who are overapplying fertilizer – the biggest noncompliance concern.



**Exhibit 2**  
**Nutrient Management Plan Compliance**  
**Fiscal 2010-2013**



Number of Farms in Compliance Due to Having a Nutrient Management Plan in Place as a Percent of the Operations Regulated That Year

Filing of Annual Implementation Plans as a Percent of Those Farms Required to Submit Them

The Number of Farms in Compliance Following a Site and Nutrient Management Plan Records Inspection as a Percent of All Inspections

Source: Maryland Department of Agriculture

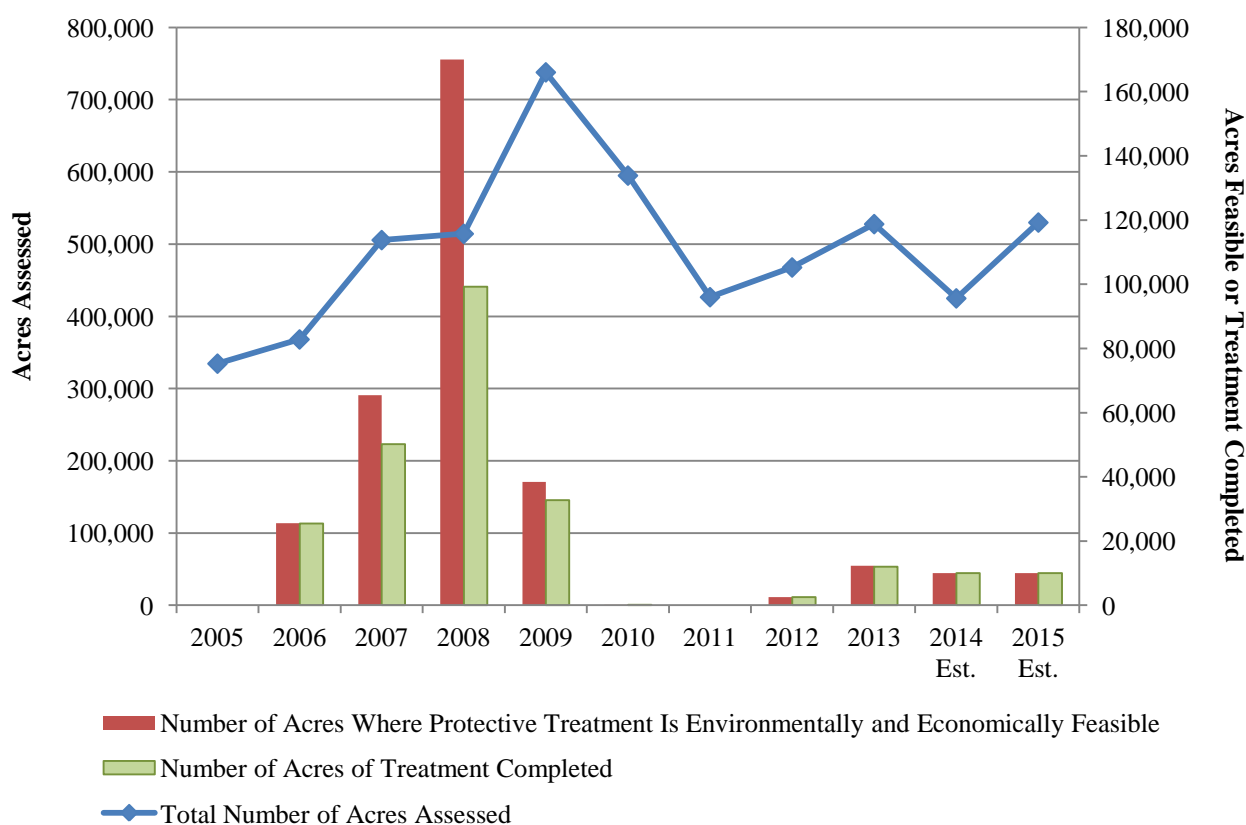
**DLS recommends that MDA comment on how it is addressing the universe of farm operators that may be overapplying fertilizer and the status on regulating the more than 1,500 lawn care professionals who need to be certified to apply lawn fertilizer.**

### **3. Gypsy Moths Increasing**

MDA's Forest Pest Management program has a goal to prevent economic losses to forest and landscape trees due to insect pests and diseases. The associated objective is to successfully complete gypsy moth and hemlock woolly adelgid pest management activities where economically and

environmentally feasible. **Exhibit 3** shows an increase in both the number of acres where protective treatment is environmentally and economically feasible and a commensurate number of acres of treatment completed between fiscal 2010 and 2015 (estimate). MDA indicates that gypsy moth populations are increasing slowly across the entire State, which is to be expected after several years of low populations. Gypsy moth populations are determined by surveying one quarter of all the survey areas each year plus the survey areas that tested positive the previous year. MDA's standard for spraying is 250 gypsy moth egg masses per acre. For fiscal 2013, the majority of the difference between the acres eligible for treatment and the acres actually treated is due to Talbot County electing to not participate on its 200 acres. **DLS recommends that MDA comment on why Talbot County did not participate in the treatment program in fiscal 2013 and whether there is a long-term proposal for eradication of the gypsy moth.**

**Exhibit 3**  
**Gypsy Moth Acreage Assessed and Treated**  
**Fiscal 2005-2015 Est.**



Source: Governor's Budget Books, Fiscal 2008-2015

## **Fiscal 2014 Actions**

### **Cost Containment**

There are three across-the-board withdrawn appropriations. This includes reductions to employee/retiree health insurance, funding for a new Statewide Personnel information technology (IT) system, and retirement reinvestment. These actions are fully explained in the analyses of the Department of Budget and Management (DBM) – Personnel, the Department of Information Technology (DoIT), and State Retirement Agency (SRA), respectively.

In addition to statewide general fund cost containment actions, MDA has agency-specific reductions in salaries, wages, and fringe benefits that may be allocated to other programs. The reductions total \$276,000 and are as follows:

- **Resource Conservation Operations** – a reduction for grants, subsidies, and contributions due to postponing grant funding until fiscal 2015 (\$132,320);
- **Forest Pest Management** – a reduction for contractual services due to lower gypsy moth eradication as a result of weather changes (\$100,000);
- **Animal Health** – a reduction for motor vehicle operation and maintenance for a heavy duty truck that will not be purchased (\$28,680); and
- **Administrative Services** – a reduction for contractual services (\$15,000).

## **Budget Reconciliation and Financing Act of 2014**

The fiscal 2015 allowance proposes a contingent reduction of \$1,125,000 in general funds for the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO). This action is made contingent upon the enactment of a provision in the Budget Reconciliation and Financing Act (BRFA) of 2014 allowing for the reduction in the mandated appropriation. The contingent reduction would reduce MARBIDCO's appropriation from \$4.0 million to \$2.875 million in fiscal 2015. Previously, Chapter 1 of the 2012 First Special Session (the BRFA of 2012) mandated the Governor to provide level funding for MARBIDCO for fiscal 2013 and 2014 at \$2.875 million before increasing the mandate to the \$4.0 million amount originally contemplated in MARBIDCO's chartering. The BRFA of 2014 affects the out-years as well, as shown in **Exhibit 4**.

**Exhibit 4**  
**MARBIDCO Funding Comparison Between Current Statute and BRFA of 2014**  
**Fiscal 2012-2021**  
**(\$ in Millions)**

<u>Fiscal Year</u>	<u>Current Statute</u>	<u>BRFA of 2014</u>	<u>Difference</u>
2013	\$2.875	\$2.875	\$0.000
2014	2.875	2.875	0.000
2015	4.000	2.875	-1.125
2016 to 2020	4.000	4.000	0.000
2021	0.000	4.000	4.000

BRFA: Budget Reconciliation and Financing Act

MARBIDCO: Maryland Agricultural and Resource-Based Industry Development Corporation

Note: Chapter 467 of 2004 (2020 Rural Maryland – Agricultural and Resource-Based Industry Development Act) created MARBIDCO and stated that it should be self-sufficient by 2020 with no further need of general operating State support. Chapter 289 of 2006 (Agricultural Stewardship Act of 2006) stipulated funding for MARBIDCO of \$3.0 million in fiscal 2008, \$3.5 million for fiscal 2009, and \$4.0 million, annually thereafter through fiscal 2020. However, funding provisions have been changed since then.

Source: Department of Legislative Services

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MARBIDCO indicates that it will need \$47.1 million for full capitalization, which is \$4.4 million less than the \$51.5 million originally anticipated when it was originally created. The reduction in funding needed is due to past experience, current lending practice, and projected revenues and expenses involving, among other things, revolving loan portfolio performance. Based on the Administration's current funding plan, MARBIDCO would receive \$45.5 million through fiscal 2021, which is \$1.6 million less than MARBIDCO's new estimated full capitalization level need.

## **Proposed Budget**

MDA's fiscal 2015 allowance increases by \$4.4 million, or 5.4%, relative to the fiscal 2014 working appropriation, as shown in **Exhibit 5**. However, the change is distorted by a \$2.7 million pay-as-you-go (PAYGO) capital appropriation that was inadvertently included in MDA's operating budget, which is offset by the omission of \$2.0 million in estimated Chesapeake and Atlantic Coastal Bays 2010 Trust Fund allocation. Adjusting for these two items, MDA's budget increases by

**Exhibit 5**  
**Proposed Budget**  
**Department of Agriculture**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
2014 Working Appropriation	\$26,848	\$45,238	\$5,649	\$3,615	\$81,350
2015 Allowance	<u>28,027</u>	<u>50,368</u>	<u>4,246</u>	<u>3,102</u>	<u>85,743</u>
Amount Change	\$1,179	\$5,129	-\$1,403	-\$512	\$4,393
Percent Change	4.4%	11.3%	-24.8%	-14.2%	5.4%

**Where It Goes:**

**Personnel Expenses**

Annualized increments and general salary increase .....	\$791
Retirement contribution net of across-the-board reduction .....	637
Additional assistance .....	136
New positions .....	119
Employee and retiree health insurance net of across-the-board reduction .....	-504
Other .....	159

**Other Changes**

***Nutrient Management***

Animal waste technologies fund.....	2,500
Soil Conservation District training .....	-587
Cover crops funding.....	-468
Remote sensing grant.....	-373
Nutrient trading marketplace website development.....	-195

***Economic Protection***

Maryland Agricultural and Resource-Based Industry Development Corporation.....	1,125
MARBIDCO contingent reduction .....	-1,125
Women, Infants, and Children Program .....	-305
Weights and Measures field equipment.....	-164

## *L00A – Department of Agriculture*

### **Where It Goes:**

#### ***Land Stewardship***

Tobacco Settlement Program Funding for agricultural land preservation .....	2,736
Agricultural land preservation settlement and appraisal costs .....	152
Public drainage association demonstration sites and video .....	-232
Other .....	-9
<b>Total</b>	<b>\$4,393</b>

Note: The fiscal 2014 working appropriation reflects negative deficiencies and contingent reductions. The fiscal 2015 allowance reflects back of the bill and contingent reductions. Numbers may not sum to total due to rounding.

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\$3.7 million. The changes by fund in Exhibit 5 reflect an increase of \$1.2 million in general funds, an increase of \$5.1 million in special funds, a decrease of \$1.4 million in federal funds, and a decrease of \$0.5 million in reimbursable funds.

### **Cost Containment**

There is one across-the-board reduction and one contingent reduction reflected in the Governor's spending plan for the fiscal 2015 allowance. This affects funding for employee/retiree health insurance and retirement reinvestment. These actions are fully explained in the analyses of DBM – Personnel and SRA.

### **Personnel**

MDA's overall personnel expenditures increase by \$1,338,147, accounting for the fiscal 2014 negative deficiency for object one expenditures as part of cost containment. The largest change is for annualizing the fiscal 2014 general salary increase and increments. The changes are as follows.

- **Annualized General Salary Increase** – Salary expenses increase by \$790,899 to reflect the annualization of the cost-of-living allowance (COLA) provided on January 1, 2014, and increments on April 1, 2014.
- **Retirement Contribution Net of Across-the-board Reduction** – Retirement contribution costs increase by a net of \$637,080, accounting for a statewide across-the-board reduction.
- **Additional Assistance** – Funding for additional assistance increases by \$135,647 due to providing assistance to USDA pesticide data and bovine spongiform encephalopathy programs (\$79,443), conducting country of origin labeling audits for USDA (\$32,110), providing meat grading services (\$21,194), and assisting the Department of Health and Mental Hygiene (DHMH) with rapid response team activities (\$2,900).

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- **New Positions** – Two contractual full-time equivalents (FTE) are converted to regular positions in the fiscal 2015 allowance for an increase of \$118,974.
- **Employee and Retiree Health Insurance Net of Across-the-board Reduction** – Health insurance costs decrease by a net of \$503,682, accounting for a statewide across-the-board reduction.

### **Other Changes**

The nonpersonnel changes in MDA's budget account for an increase of \$3,055,222. The major change is an increase of \$2.7 million in Tobacco Transition Program agricultural land preservation funding that is usually budgeted as part of MDA's PAYGO capital budget. The changes are grouped under the broad categories of nutrient management, economic protection, and land stewardship as follows.

### **Nutrient Management**

- **Animal Waste Technologies Fund** – MDA has included an increase of \$2,500,000 in Chesapeake and Atlantic Coastal Bays 2010 Trust Fund special funds to implement innovative animal waste technologies in the Office of Resource Conservation – Conservation Grants – Administration. However, this allocation double-counts funding already budgeted in the Department of Natural Resources' (DNR) fiscal 2015 allowance. **DLS recommends that the double-counted funds be reduced and that MDA bring in a budget amendment when the final allocation of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund funding is determined.**
- **Soil Conservation District Training** – Federal funds decrease by \$587,250 in the Office of Resource Conservation – Resource Conservation Operations – Administration due to fiscal 2014 grants expiring for training material development for Soil Conservation Districts and for outreach meetings.
- **Cover Crops Funding** – MDA has budgeted a decrease of \$467,764 in special funds in the Office of Resource Conservation – Conservation Grants – Administration to reflect a more accurate estimate of final participation rates and program costs.
- **Remote Sensing Grant** – A remote sensing grant provided by the National Fish and Wildlife Federation ends in fiscal 2014 reducing special funds by \$372,972 in the Office of Resource Conservation – Resource Conservation Operations – Administration.
- **Nutrient Trading Marketplace Website Development** – Nutrient Trading Marketplace website development ends in fiscal 2014, and there is a reduction of \$195,000 in federal funds in the Office of Resource Conservation – Resource Conservation Operations – Administration.

## **Economic Protection**

- **MARBIDCO** – There is an increase of \$1,125,000 in general funds for MARBIDCO based on the sunset of Chapter 1 of the 2012 First Special Session (the BRFA of 2012) provision that mandated the Governor to provide level funding for MARBIDCO for fiscal 2013 and 2014. The fiscal 2015 funding level is \$4,000,000 in general funds.
- **MARBIDCO Contingent Reduction** – The BRFA of 2014 includes a provision that reduces MARBIDCO's appropriation to the fiscal 2014 level of \$2,875,000 resulting in a \$1,125,000 reduction in general funds.
- **Women, Infants, and Children Program** – Due to the uncertainty about the 2012 farm bill at the time that the budget was being assembled, there is a decrease of \$305,369 in federal funds in the Women, Infants, and Children Program for grants.
- **Weights and Measures Field Equipment** – The Marketing, Animal Industries, and Consumer Services – Weights and Measures – Field appropriation decreases by \$163,500 in special funds due to one-time purchases of volumetric trailer mounted provers in fiscal 2014.

## **Land Stewardship**

- **Tobacco Settlement Program Funding for Agricultural Land Preservation** – There is an increase of \$2,736,000 in special funds in the Tobacco Settlement Program, primarily due to the budgeting of \$2,716,000 in PAYGO special fund capital money in MDA's operating budget for agricultural land preservation. This appropriation should be reflected in a PAYGO appropriation. **DLS recommends that the \$2,716,000 be reduced by \$799,000 in order to level fund the allowance with fiscal 2014 and that the remainder of \$1,917,000 be brought in via supplemental budget or budget amendment as a capital appropriation in order to properly reflect the use of the money.**
- **Agricultural Land Preservation Settlement and Appraisal Costs** – The Maryland Agricultural Land Preservation Program combined agricultural easement purchase cycles in fiscal 2013 and 2014, and there is an increase of \$151,524 in special funds for settlement and appraisal costs in fiscal 2015 in the Office of the Secretary – Maryland Agricultural Land Preservation Foundation – Administration to reflect the budgeting of funding for the fiscal 2015 easement cycle.
- **Public Drainage Association Demonstration Sites and Video** – In the Office of Resource Conservation – Resource Conservation Operations – Agricultural Water Management is a decrease of \$232,000 in federal funds due to the majority of funding being provided for the Public Drainage Association demonstration sites and a video in fiscal 2014.



## ***Issues***

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### **1. Cover Crops Not the Most Cost-effective Practice**

Cover crops are one of the most effective best management practices for reducing nitrogen loads to the Chesapeake Bay and are a substantial portion of MDA's operating budget. However, cover crop cost-efficiency for nitrogen removal is rivaled by a number of other best management practices and is not cost-effective for phosphorus removal. This raises the question of whether cover crops should be the centerpiece of MDA's best management practice portfolio.

#### **Cover Crop Planting History**

The Cover Crop Program appears to have plateaued at about 608,000 initial acres and 410,000 final paid acres. The 2013 to 2014 planting season, which reflects fiscal 2014 funding, has yielded an estimated final acreage of 410,000 acres. **Exhibit 6** shows the cover crop history. Since fiscal 2005, there has been an almost 700% increase in the amount of cover crop acres planted.

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**Exhibit 6**  
**Cover Crop History**  
**Fiscal 2005-2015 Est.**

<b><u>Fiscal Year</u></b>	<b><u>Initial Acres</u></b>	<b><u>Approved Acres</u></b>	<b><u>Fall Certification</u></b>	<b><u>Final Paid Acres</u></b>	<b><u>Final Paid Acres as a % Initial Acres</u></b>
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	607,433	604,186	415,437	413,826	68%
2014 Est.	608,427	602,481	412,000	410,000	68%
2015 Est.	608,000	603,000	422,000	420,000	70%

Note: The data is as of January 23, 2014. For fiscal 2014, initial and approved acres are actuals, and fall certification and final paid acres are estimates.

Source: Maryland Department of Agriculture; Department of Legislative Services

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## **Fiscal 2014 and 2015 Funding**

**Exhibit 7** reflects the estimated fiscal 2014 and 2015 funding need and availability. It appears that the available Chesapeake and Atlantic Coastal Bays 2010 Trust Fund and Bay Restoration Fund special funds in fiscal 2014 will be insufficient to cover crop program costs based on MDA's current assumptions about the retention rate and payment per acre and thus, additional funding may be necessary. For fiscal 2015, there is estimated to be a surplus on the order of \$1.3 million.

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### **Exhibit 7 Cover Crop Funding Fiscal 2014-2015**

	<b>Current <u>2014</u></b>	<b>Projected <u>2015</u></b>
Projected Signup Acres	602,481	603,000
Retention Rate	68%	70%
Net Acres	410,000	420,000
Payment Per Acre	\$48.23	\$47.12
Total Projected Cost	\$19,774,300	\$19,790,400
<b>Beginning Fund Balance</b>	<b>\$0</b>	<b>\$0</b>
<b>Revenues</b>		
Projected Bay Restoration Fund	\$9,768,400	\$9,800,000
Projected 2010 Trust Fund	10,000,000	11,250,000
<b>Total Resources Available</b>	<b>\$19,768,400</b>	<b>\$21,050,000</b>
<b>Expenditures</b>		
Projected Cost	\$19,774,300	\$19,790,400
<b>Surplus/Deficit</b>	<b>-\$5,900</b>	<b>\$1,259,600</b>

Note: Revenues reflect the amount the Maryland Department of Agriculture dedicates to cover crops net of administrative expenses and other uses.

Source: Maryland Department of Agriculture; Department of Legislative Services

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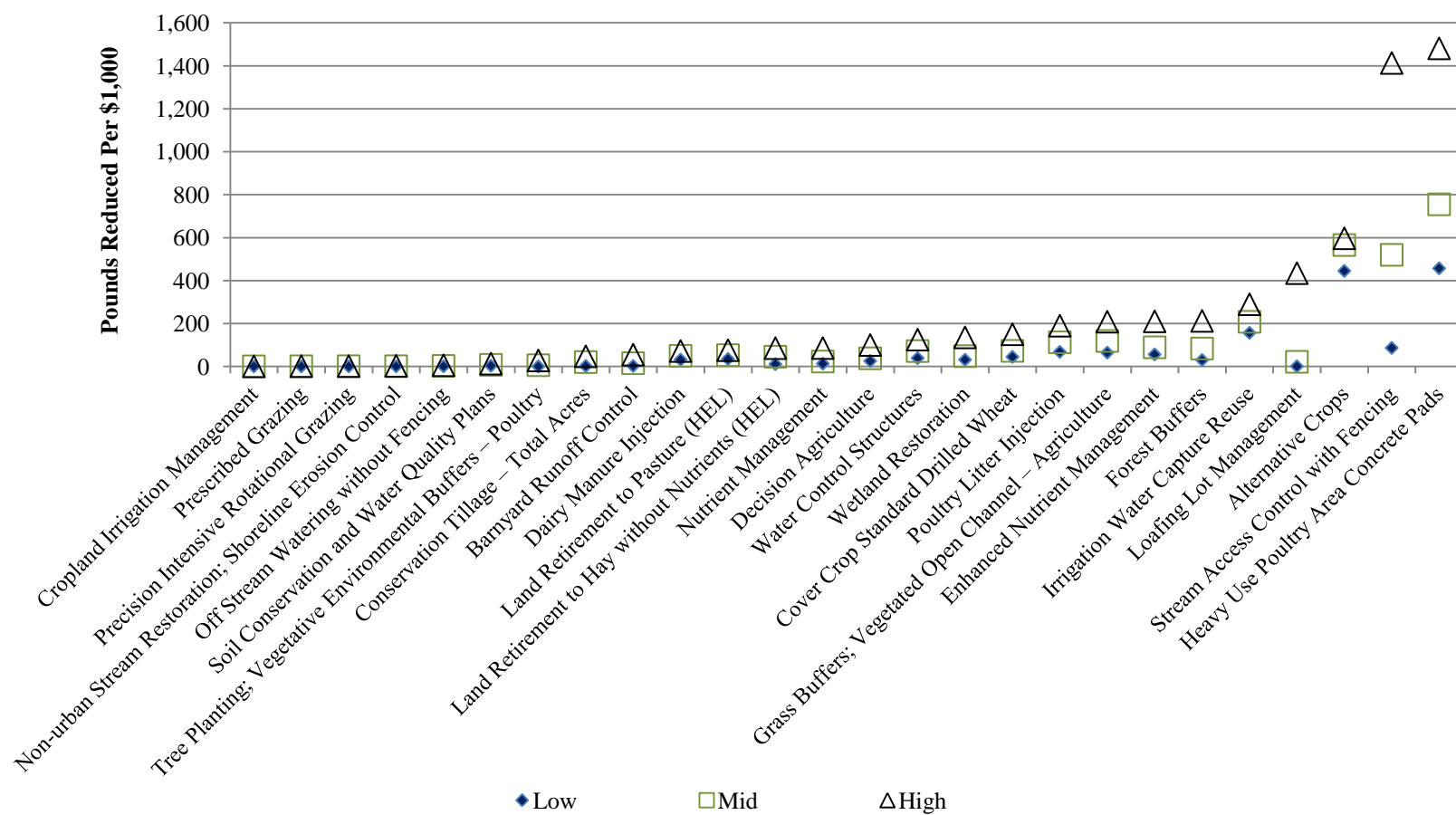
## **Best Management Practice Cost-effectiveness**

MDA notes that cost-effectiveness must be addressed on an individual farm basis due to the different resource concerns on each farm. In addition, some best management practices, such as cover crops, may be implemented in a number of ways, including timing, crop planted, planting method, and kill-down method, which complicates cost-efficiency calculations. Despite these concerns, MDA has conducted a meta-analysis of best management practice costs and found that standard drilled wheat cover crops cost \$50.42 per acre and have low, middle, and high cost efficiency estimates of 44.6 pounds, 72.4 pounds, and 149.7 pounds of nitrogen reduced per \$1,000, respectively.

However, as shown in **Exhibit 8**, a number of other best management practices geared toward cropland are even more cost-efficient for nitrogen reduction. Such best management practices include alternative crops, irrigation water capture reuse, forest buffers, enhanced nutrient management, and grass buffers – vegetated open channel. In addition, cover crops are relatively cost-inefficient at removing phosphorus, as shown in **Exhibit 9**, despite phosphorus loading being a major concern in some parts of the State.

**DLS recommends that MDA comment on why other more cost-effective best management practices available for cropland are not being funded or used at the same rate as cover crops.**

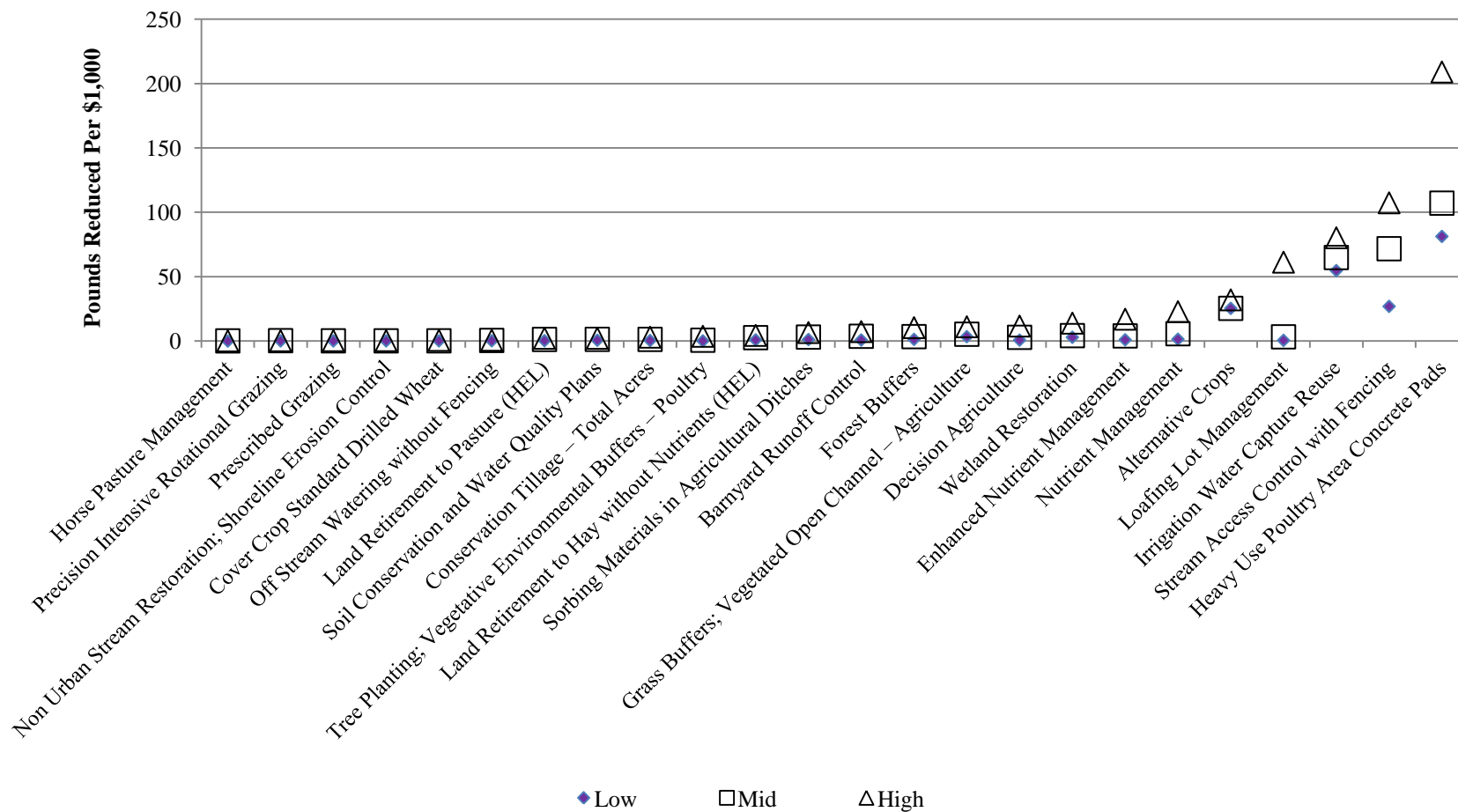
**Exhibit 8**  
**Agricultural Best Management Practices**  
**Nitrogen Pounds Reduced Per \$1,000**



HEL: highly erodible land

Source: Maryland Department of the Environment

# **Exhibit 9** **Agricultural Best Management Practices** **Phosphorus Pounds Reduced Per \$1,000**



HEL: highly erodible land

Source: Maryland Department of the Environment

## 2. MDA Audit Has Four Repeat Findings

The Joint Audit Committee (JAC) continues to be concerned about the number and frequency of repeat findings in audits conducted by the Office of Legislative Audits (OLA). In an effort to see these findings satisfactorily resolved, JAC has asked the budget committees to consider action in the agency budgets where such findings occur. There were four repeat audit findings in MDA's April 2013 audit, which meets JAC's threshold. The repeat audit findings and MDA's response are shown in **Exhibit 10**.

**DLS recommends that \$100,000 in funding be withheld in MDA's operating budget until OLA has determined that the repeat audit findings have been corrected.**

### Exhibit 10 MDA Repeat Audit Findings and Response

<u>Finding</u>	<u>Description</u>	<u>MDA Response</u>	<u>Estimated Completion Date</u>
Cash Receipts	Certain cash receipts were not adequately controlled, verified to deposit, and reconciled with registrations issued. Similar conditions were commented upon in four preceding audit reports dating back to 2001.	The lockbox service is being used. Receipts that are received directly now have a third-party reviewer. A credit card application for web registration is being considered in order to reconcile licenses/registration with fees collected. An annual report reconciling registrations and licensing receipts to applicants is now required.	June 30, 2013
Purchases and Disbursements	Proper internal controls were not established over the processing of purchasing and disbursement transactions. A similar condition has been commented upon in the five preceding audit reports dating back to 1998.	Financial Management Information System security levels and permissions have been changed.	April 15, 2013
Property	Significant control deficiencies continued to exist over property records and physical inventories. The failure to maintain adequate accountability and control over equipment has been commented on in preceding audit reports dating back to 1990. MDA has generally concurred with the recommendations and indicated that appropriate actions	An agencywide physical inventory has been taken, and sensitive equipment is in perpetual inventory.	June 30, 2013

<u>Finding</u>	<u>Description</u>	<u>MDA Response</u>	<u>Estimated Completion Date</u>
	would be taken to correct the noted problems. However, little or no action has been taken to correct these deficiencies.		
Accounts Receivable	Procedures and controls over non-cash credit adjustments were not adequate.	Non-cash credits are approved by the fiscal administrator who also reviews the output report on a monthly basis.	No date provided

Source: Maryland Department of Agriculture; Department of Legislative Services

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### **3. Spay and Neuter Program Starting Up**

Chapters 561 and 562 of 2013 (Animal Welfare – Spay/Neuter Fund – Establishment) established a fee on dog and cat commercial feed registered in the State and created a Spay/Neuter Fund in MDA. The fund is intended to reduce animal shelter overpopulation and cat and dog euthanasia rates by financing grants for programs that facilitate and promote spay and neuter services. On November 7, 2013, the Spay and Neuter Advisory Board was selected, but a program manager has not been hired yet; therefore, performance measures for the program have not been developed.

#### **Background**

Chapters 561 and 562 requires MDA to solicit and evaluate grant proposals from local governments and animal welfare organizations for efforts to facilitate and promote the provision of spay and neuter services for cats and dogs. A competitive grant proposal (1) must target low-income communities and populations to the maximum extent possible and detail how that will be accomplished; (2) may target feral cat populations if MDA determines that it does not violate local law; (3) must facilitate and promote the provision of spay and neuter services for cats and dogs; and (4) may include public education and outreach components. MDA must evaluate a grant proposal in accordance with these standards and any additional standards it adopts via regulation. MDA also must adopt regulations requiring grantees to report on how the grant was used, including specified information.

## **Program Status**

The program status is as follows.

- **Revenue** – The program is funded by a fee on dog and cat commercial feed. MDA indicates that invoices totaling approximately \$400,000 were mailed to 415 feed registrants after the October 1, 2013 effective date of the legislation. At the request of the pet food industry, collections were extended through January 2014, and as of January 16, 2014, \$259,736 has been collected. MDA estimates that the fee will bring in \$400,000 in fiscal 2014, \$600,000 in fiscal 2015, and \$800,000 in fiscal 2016 through 2023 – the bill terminates September 30, 2022. These revenue estimates are lower than the amounts projected in the fiscal note of \$517,500 for fiscal 2014, \$776,300 for fiscal 2015, and \$1,035,000 for fiscal 2016 and beyond.
- **Advisory Board** – As noted above, the Advisory Board was selected on November 7, 2013, and had its first meeting on December 6, 2013. At the meeting, short-term priorities were identified: develop draft regulations to recommend to the Secretary of MDA and draft a survey questionnaire for animal control shelters to complete at the end of each quarter. The first quarterly survey was mailed on January 7, 2014, and the Advisory Board planned to meet on January 1, 2014, to complete regulation recommendations that would be published by late February 2014.
- **Grant Proposals** – MDA proposes to issue a request for proposals by the middle of April 2014 and then the Advisory Board will review the proposals and make recommendations to the Secretary.
- **Position** – DBM reclassified a vacant administrator I (grade 16) position to an agency grant specialist II (grade 15) in September 2013, which reduced the base salary for the position. MDA indicates that it is interviewing candidates. An office secretary 1.0 contractual FTE is budgeted for fiscal 2015 in order to provide administrative support.
- **Performance Measures** – It is presumed that the new program administrator, when hired, will develop performance measures for the program.

**DLS recommends that MDA comment on why the revenue estimates are lower than estimated in the fiscal note, the status on hiring the program administrator, and appropriate performance measures for the program.**



#### **4. Maryland Horse Industry Board Sunset Extension**

HB 256 and SB 294 (Maryland Horse Industry Board – Sunset Extension and Program Evaluation) have been introduced in the 2014 legislative session. The bills implement DLS recommendations stemming from the preliminary sunset evaluation report on the Maryland Horse Industry Board as adopted by the Legislative Policy Committee at its December 17, 2013 meeting. The provisions are as follows:

- extending the termination date for the Maryland Horse Industry Board by 10 years to July 1, 2026;
- requiring a preliminary evaluation of the board under the Maryland Program Evaluation Act to be conducted by December 15, 2023;
- repealing a provision that limits the board's use of funds received from an assessment on commercial equine feed to education, research, and promotional materials and activities intended to benefit the Maryland equine industry; and
- requiring the Maryland Horse Industry Board to report to the Senate Education, Health, and Environmental Affairs Committee and the House Environmental Matters Committee by October 1, 2015, on the board's use of its civil enforcement authority and its progress in balancing its revenues and expenditures once contractual expenses for the Maryland horse park study end.

**DLS recommends that MDA comment on the impact of possibly repealing the limitation on the board's use of funds from the commercial equine feed assessment and the status of the Maryland horse park study.**

## ***Recommended Actions***

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

Provided that since the Maryland Department of Agriculture (MDA) has had four or more repeat findings in the most recent fiscal compliance audit issued by the Office of Legislative Audits (OLA), \$100,000 of this appropriation may not be expended unless:

- (1) MDA has taken corrective action with respect to all repeat audit findings on or before November 1, 2014; and
- (2) a report is submitted to the budget committees by OLA listing each repeat audit finding along with a determination that each repeat finding was corrected. The budget committees shall have 45 days to review and comment to allow for funds to be released prior to the end of fiscal 2015.

**Explanation:** The Joint Audit Committee has requested that budget bill language be adopted for each unit of State government that has four or more repeat audit findings in its most recent fiscal compliance audit. Each such agency is to have a portion of its administrative budget withheld pending the adoption of corrective action by the agency and a determination by OLA that each finding was corrected. OLA shall submit reports to the budget committees on the status of repeat findings.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Status of corrective actions related to the most recent fiscal compliance audit	OLA	45 days before the release of funds

	<b><u>Amount Reduction</u></b>
2. Reduce Tobacco Transition Program funding for agricultural land preservation. These Cigarette Restitution Fund special funds reflect an increase of \$799,000 relative to the fiscal 2014 appropriation of \$1,917,000. Therefore, this reduction level funds the program.	\$ 799,000 SF

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3. Strike the following language from the general fund appropriation:

~~, provided that this appropriation shall be reduced by \$1,125,000 contingent upon the enactment of legislation reducing the mandated funding to the fiscal 2014 level.~~

**Explanation:** The fiscal 2015 budget bill as introduced includes a \$1,125,000 reduction to the Maryland Agricultural and Resource-Based Industry Development Corporation, contingent upon enactment of a provision in the Budget Reconciliation and Financing Act of 2014. This action strikes that contingent reduction.

	<b><u>Amount Reduction</u></b>	
4. This action reduces the Maryland Agricultural and Resource-Based Industry Development Corporation's appropriation by \$1,125,000.	1,125,000	GF
5. Reduce funding attributable to double-counted Chesapeake and Atlantic Coastal Bays 2010 Trust Fund appropriation. The fiscal 2015 Chesapeake and Atlantic Coastal Bays 2010 Trust Fund appropriation is budgeted entirely within the Department of Natural Resources' operating budget. Therefore, the funding reflected in the Maryland Department of Agriculture's (MDA) operating budget double counts the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund appropriation. MDA may bring in a budget amendment to appropriate Chesapeake and Atlantic Coastal Bays 2010 Trust Fund monies when the final allocation is determined.	17,600,000	SF
<b>Total Reductions</b>	<b>\$ 19,524,000</b>	
<b>Total General Fund Reductions</b>	<b>\$ 1,125,000</b>	
<b>Total Special Fund Reductions</b>	<b>\$ 18,399,000</b>	

## ***Current and Prior Year Budgets***

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

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2013</b>					
Legislative Appropriation	\$27,313	\$23,753	\$4,680	\$3,533	\$59,279
Deficiency Appropriation	1,100	0	0	0	1,100
Budget Amendments	-108	21,749	474	196	22,312
Reversions and Cancellations	-1,231	-1,693	-1,483	-1,432	-5,838
<b>Actual Expenditures</b>	<b>\$27,075</b>	<b>\$43,810</b>	<b>\$3,671</b>	<b>\$2,298</b>	<b>\$76,853</b>
<b>Fiscal 2014</b>					
Legislative Appropriation	\$27,648	\$28,578	\$5,533	\$3,446	\$65,205
Budget Amendments	334	16,661	116	169	17,280
<b>Working Appropriation</b>	<b>\$27,983</b>	<b>\$45,238</b>	<b>\$5,649</b>	<b>\$3,615</b>	<b>\$82,485</b>

Note: The fiscal 2014 working appropriation does not include deficiencies or contingent reductions. Numbers may not sum to total due to rounding.

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## **Fiscal 2013**

The general fund appropriation decreased by \$238,384. The changes are as follows.

- **Deficiency Appropriation** – An increase of \$1,100,000 for supporting cover crop payments to farmers.
- **Budget Amendments** – A decrease of \$107,780 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 (\$172,885), which is offset partially by increases to realign telecommunications expenditures between State agencies (\$35,684) and allocate the annual salary review new classification for the nutrient management specialist III position in the Office of Resource Conservation – Nutrient Management (\$29,421).
- **Reversions** – A decrease of \$1,230,604 as a result of reversions in Resource Conservation Grants due to unneeded appropriation for the Cover Crop Program (\$1,145,669), and in the Office of the Secretary – Administrative Services due to State agencies being assessed a fee for development of a new Statewide Personnel System for which the State spent approximately 48% of its major IT project's appropriated budget, with the remainder reverted to the general fund (\$84,935).

The special fund appropriation increased by \$20,056,277. The changes are as follows.

- **Budget Amendments** – An increase of \$21,749,297 including funding from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund funding from DNR totaling \$14,500,000 for cover crops in Resource Conservation Grants (\$8,900,000), agency technical assistance to soil conservation district costs in the Resource Conservation Operations program (\$2,600,000), grants to farmers (\$2,000,000), for Conservation Reserve Enhancement Program bonus payments in the Resource Conservation Grants program (\$500,000), and the Manure Transport Program (\$500,000); for the Cover Crop Program from the Bay Restoration Fund in the Resource Conservation Grants program (\$5,967,406); for routine laboratory supplies and chemicals to support the increased laboratory space and services available due to an upgrade of laboratory space in the State Chemist program (\$330,076); 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 the Weights and Measures program (\$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 insecticide supplies for ground spraying in the Mosquito Control program (\$147,403); 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 the gypsy moth suppression program in the Forest Pest Management program (\$52,687); for urban nutrient management from the

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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 covering salary shortfalls due to the lack of personnel turnover in the Turf and Seed program (\$30,638); for hiring a contractual employee from the Private Grants fund in the Office of Resource Conservation – Program Planning and Development program (\$30,000); for additional horse racing revenues to be used by the Rural Maryland Council for grants to rural jurisdictions (\$25,014); for additional horse racing revenues for Maryland Agricultural Education and Rural Development Assistance Fund agricultural education (\$25,014); and for additional agricultural education grants from the Private Grants fund in the Maryland Agricultural Education and Rural Development Assistance Fund program (\$3,942).

- **Cancellations** – A decrease of \$1,693,020 primarily due to revenue not being received in the Resource Conservation Operations program (\$334,258), two conservation easement purchase agreements being withdrawn in the Maryland Agricultural Land Preservation Foundation program (\$323,640), program activity being less than anticipated in the Weights and Measures program (\$219,671), revenue not being obtained in the Food Quality Assurance program (\$213,410), revenue not being obtained in the Mosquito Control program (\$171,318), and the decision to reduce program spending in the State Board of Veterinary Medical Examiners (\$108,189).

The federal fund appropriation decreased by \$1,008,397. The changes are as follows.

- **Budget Amendments** – An increase of \$474,420 for hemlock woolly adelgid and gypsy moth suppression contractual services in the Forest Pest Management program (\$290,321), salary increase in Animal Health (\$73,019), salary increase in the Pesticide Regulation program (\$51,723), the allocation of federal indirect cost revenue to support utility expenses in the Central Services program (\$50,000), and allocation of the fiscal 2013 special fund appropriation for the COLA (\$9,357).
- **Cancellations** – A decrease of \$1,482,817 primarily as a result of projected revenue not being received in the Resource Conservation Operations program (\$687,605), the Marketing and Agriculture Development program (\$547,910), and the Food Quality Assurance program (\$96,540).

The reimbursable fund appropriation decreased by \$1,235,650. The changes are as follows.

- **Budget Amendments** – An increase of \$196,168 for funding transferred from the Department of Business and Economic Development (DBED) to the Rural Maryland Council as part of the Invest Maryland funding (\$170,790), an internal transfer to the Rural Maryland Council in order to allow it to use the remaining Invest Maryland funding in fiscal 2013 (\$20,378), and funding from DHMH for supplies and materials related to the formation of a Rapid Response Team to strengthen Maryland's ability to respond to flood-related emergencies (\$5,000).

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- **Cancellations** – A decrease of \$1,431,818 primarily as a result of projected revenue not being received or reduced program activity in the Central Services program (\$628,825), the Nutrient Management program (\$413,431), the Resource Conservation Operations program (\$148,361), the Rural Maryland Council program (\$111,343), and the Program Planning and Development program (\$49,368).

## **Fiscal 2014**

MDA's general fund appropriation increases by \$334,297 due to budget amendments allocating the COLA effective January 1, 2014 (\$234,156), employee salary increments effective April 1, 2014 (\$84,812), and personnel classifications as part of the annual salary review (\$15,329).

MDA's special fund appropriation increases by \$16,660,523 due to budget amendments. The budget amendments allocate Chesapeake and Atlantic Coastal Bays 2010 Trust Fund funding for the Cover Crop Program (\$10,000,000), agency technical assistance (\$2,600,000), grants to farmers for nutrient management regulation assistance (\$2,000,000), the Conservation Reserve Enhancement Program (\$500,000), and the Manure Transport Program (\$500,000); reflect revenue anticipated to be received by the Spay/Neuter Fund in the State Board of Veterinary Medical Examiners program for grants and position salary (\$550,000); reflect a contract extension to continue the development and implementation of remote sensing image acquisition and processing for cover crops in the Resource Conservation Operations program (\$373,972); allocate the COLA (\$80,315); allocate employee salary increments (\$31,222); and provide for grants in the Rural Maryland Council program from horse racing revenue codified in Business Regulation Article, section 11-404.1 (\$25,014).

MDA's federal fund appropriation increases by \$116,388 due to budget amendments as follows: for the Frederick and Salisbury Animal Health Laboratories to complete maintenance of membership laboratory requirements as part of the National Animal Health Laboratory Network from two USDA Plant and Animal Disease, Pest Control, and Animal Care cooperative agreement extensions (\$101,750); allocating the COLA (\$10,758); and allocating employee salary increments (\$3,880).

MDA's reimbursable fund appropriation increases by \$168,713 due to budget amendments as follows: funding from DBED's Invest Maryland grant for supporting Rural Maryland Council activities in Maryland's rural jurisdictions (\$111,343); and funding from DHMH to manage Rapid Response Team field support services, travel, and training related to Maryland's ability to respond to food-related emergencies by MDA's agricultural inspectors and laboratory staff (\$57,370).

## ***Audit Findings***

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Audit Period for Last Audit:	July 1, 2009 – July 15, 2012
Issue Date:	April 2013
Number of Findings:	4
Number of Repeat Findings:	4
% of Repeat Findings:	100%
Rating: (if applicable)	

**Finding 1:** Certain cash receipts were not adequately controlled, verified to deposit, and reconciled with registrations issued. Similar conditions were commented upon in four preceding audit reports dating back to 2001.

**Finding 2:** Proper internal controls were not established over the processing of purchasing and disbursement transactions. A similar condition has been commented upon in the five preceding audit reports dating back to 1998.

**Finding 3:** Significant control deficiencies continued to exist over property records and physical inventories. The failure to maintain adequate accountability and control over equipment has been commented on in preceding audit reports dating back to 1990. MDA has generally concurred with the recommendations and indicated that appropriate actions would be taken to correct the noted problems. However, little or no action has been taken to correct these deficiencies.

**Finding 4:** Procedures and controls over non-cash credit adjustments were not adequate.

\*Bold denotes item repeated in full or part from preceding audit report.



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

<u>Object/Fund</u>	<u>FY 13 Actual</u>	<u>FY 14 Working Appropriation</u>	<u>FY 15 Allowance</u>	<u>FY 14 - FY 15 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	382.60	383.10	385.10	2.00	0.5%
02 Contractual	36.30	40.70	38.30	-2.40	-5.9%
<b>Total Positions</b>	<b>418.90</b>	<b>423.80</b>	<b>423.40</b>	<b>-0.40</b>	<b>-0.1%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 27,241,275	\$ 28,596,832	\$ 29,223,193	\$ 626,361	2.2%
02 Technical and Spec. Fees	1,208,169	1,191,042	1,170,184	-20,858	-1.8%
03 Communication	648,299	733,657	769,594	35,937	4.9%
04 Travel	318,545	248,229	358,693	110,464	44.5%
06 Fuel and Utilities	936,451	896,396	939,542	43,146	4.8%
07 Motor Vehicles	1,457,649	1,255,603	1,373,668	118,065	9.4%
08 Contractual Services	5,431,822	7,379,115	5,774,972	-1,604,143	-21.7%
09 Supplies and Materials	1,408,907	1,174,812	1,271,909	97,097	8.3%
10 Equipment – Replacement	417,849	700,478	602,254	-98,224	-14.0%
11 Equipment – Additional	78,273	151,044	69,935	-81,109	-53.7%
12 Grants, Subsidies, and Contributions	33,484,207	35,566,460	40,875,887	5,309,427	14.9%
13 Fixed Charges	3,910,821	4,427,448	4,478,311	50,863	1.1%
14 Land and Structures	310,784	163,476	315,000	151,524	92.7%
<b>Total Objects</b>	<b>\$ 76,853,051</b>	<b>\$ 82,484,592</b>	<b>\$ 87,223,142</b>	<b>\$ 4,738,550</b>	<b>5.7%</b>
<b>Funds</b>					
01 General Fund	\$ 27,074,619	\$ 27,982,516	\$ 29,399,824	\$ 1,417,308	5.1%
03 Special Fund	43,809,639	45,238,387	50,463,799	5,225,412	11.6%
05 Federal Fund	3,671,247	5,649,104	4,257,230	-1,391,874	-24.6%
09 Reimbursable Fund	2,297,546	3,614,585	3,102,289	-512,296	-14.2%
<b>Total Funds</b>	<b>\$ 76,853,051</b>	<b>\$ 82,484,592</b>	<b>\$ 87,223,142</b>	<b>\$ 4,738,550</b>	<b>5.7%</b>

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

**Fiscal Summary  
Department of Agriculture**

<u>Program/Unit</u>	<u>FY 13 Actual</u>	<u>FY 14 Wrk Approp</u>	<u>FY 15 Allowance</u>	<u>Change</u>	<u>FY 14 - FY 15 % Change</u>
11 Office of the Secretary	\$ 8,491,198	\$ 8,129,230	\$ 8,417,901	\$ 288,671	3.6%
12 Office of Marketing, Animal Industries and Consumer Services	18,528,004	20,576,314	24,524,586	3,948,272	19.2%
14 Office of Plant Industries and Pest Management	10,594,667	10,948,543	11,224,244	275,701	2.5%
15 Office of Resource Conservation	39,239,182	42,830,505	43,056,411	225,906	0.5%
<b>Total Expenditures</b>	<b>\$ 76,853,051</b>	<b>\$ 82,484,592</b>	<b>\$ 87,223,142</b>	<b>\$ 4,738,550</b>	<b>5.7%</b>
General Fund	\$ 27,074,619	\$ 27,982,516	\$ 29,399,824	\$ 1,417,308	5.1%
Special Fund	43,809,639	45,238,387	50,463,799	5,225,412	11.6%
Federal Fund	3,671,247	5,649,104	4,257,230	-1,391,874	-24.6%
<b>Total Appropriations</b>	<b>\$ 74,555,505</b>	<b>\$ 78,870,007</b>	<b>\$ 84,120,853</b>	<b>\$ 5,250,846</b>	<b>6.7%</b>
Reimbursable Fund	\$ 2,297,546	\$ 3,614,585	\$ 3,102,289	-\$ 512,296	-14.2%
<b>Total Funds</b>	<b>\$ 76,853,051</b>	<b>\$ 82,484,592</b>	<b>\$ 87,223,142</b>	<b>\$ 4,738,550</b>	<b>5.7%</b>

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.