

L00A
Department of Agriculture

Operating Budget Data

(\$ in Thousands)

	<u>FY 17</u> <u>Actual</u>	<u>FY 18</u> <u>Working</u>	<u>FY 19</u> <u>Allowance</u>	<u>FY 18-19</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$29,905	\$31,886	\$34,888	\$3,003	9.4%
Adjustments	0	-117	155	273	
Adjusted General Fund	\$29,905	\$31,768	\$35,044	\$3,275	10.3%
Special Fund	32,973	34,765	31,718	-3,047	-8.8%
Adjustments	0	-132	59	191	
Adjusted Special Fund	\$32,973	\$34,633	\$31,777	-\$2,856	-8.2%
Federal Fund	3,775	4,364	4,557	193	4.4%
Adjustments	0	-21	8	29	
Adjusted Federal Fund	\$3,775	\$4,343	\$4,565	\$222	5.1%
Reimbursable Fund	23,161	23,372	23,390	18	0.1%
Adjustments	0	0	7	7	
Adjusted Reimbursable Fund	\$23,161	\$23,372	\$23,397	\$25	0.1%
Adjusted Grand Total	\$89,814	\$94,115	\$94,782	\$667	0.7%

Note: FY 17 Working includes targeted reversions, deficiencies, and across-the-board reductions. FY 18 Allowance includes contingent reductions and cost-of-living adjustments.

- The Maryland Department of Agriculture (MDA) budget includes a deficiency appropriation that would provide for \$190,000 in general funds in the Office of Plant Industries and Pest Management – Mosquito Control program. The appropriation would provide for black fly eradication and control activities.

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

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- The overall adjusted change in the MDA fiscal 2019 allowance is an increase of \$0.7 million, or 0.7%. The major changes are a decrease of \$3.8 million in special funds from the Cigarette Restitution Fund to reflect the end of the bond repayment for the Tobacco Transition Program and an increase of \$2.5 million in general funds for the Rural Maryland Prosperity Investment Fund managed by the Rural Maryland Council in order to improve working and living conditions in rural areas.

Personnel Data

	<u>FY 17 Actual</u>	<u>FY 18 Working</u>	<u>FY 19 Allowance</u>	<u>FY 18-19 Change</u>
Regular Positions	356.10	355.10	352.10	-3.00
Contractual FTEs	<u>46.65</u>	<u>44.97</u>	<u>46.05</u>	<u>1.08</u>
Total Personnel	402.75	400.07	398.15	-1.92

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	17.61	5.00%
Positions and Percentage Vacant as of 12/31/17	31.00	8.73%

- MDA regular positions decrease by 3.0 in the fiscal 2019 allowance. Overall, positions have decreased from 356.1 in the fiscal 2017 actual to 352.1 in the fiscal 2019 allowance as a result of the following: 1.0 position abolished in the fiscal 2018 allowance – a vacant designated administration manager senior III position, and 3.0 positions abolished in the fiscal 2019 allowance. The 3.0 positions abolished in the fiscal 2019 allowance are long-term vacancies as follows: 1.0 administrator I in the Office of Plant Industries and Pest Management – Turf and Seed – Administration, 1.0 soil conservation associate II in the Office of Resource Conservation – Resource Conservation Operations – Patuxent, and 1.0 office secretary III in the Office of Resource Operations – Resource Conservation Operations – Eastern Maryland.
- MDA has 31.0 regular positions that are vacant as of December 31, 2017, of which 10.5 have been vacant for more than a year. MDA notes that it is using the vacant positions to meet turnover and that several of the positions are in the process of being filled, but that the hiring process can take more than six months due to requirements for specifications or school degrees.
- MDA contractual full-time equivalents (FTE) increase by a net of 1.08 FTEs in the fiscal 2019 allowance. MDA has noted in the past that contractual FTEs are used to balance workloads on an as-needed basis.

- The MDA turnover rate decreased from 6.18% in the fiscal 2018 working appropriation to 5.0% in the fiscal 2019 allowance, which reflects a decrease from 21.95 necessary vacancies to 17.61 necessary vacancies. MDA has 31.0 positions vacant as of December 31, 2017, which is relatively high at 8.73%, but this will allow MDA to meet turnover.
- MDA notes that 2.0 regular positions were transferred in fiscal 2018 from the Office of the Secretary to the Office of Marketing, Animal Industries, and Consumer Services and the Office of Plant Industries and Pest Management. The position moves reflect reclassifications that provide for work with farmers' markets in the Office of Marketing, Animal Industries, and Consumer Services and the assistant secretary position in the Office of Plant Industries and Pest Management.

Analysis in Brief

Major Trends

Shelter/Animal Care Facility Data Shows Decrease in Euthanasia but Not Intakes: The Spay/Neuter Program's goal is to reduce intake and euthanasia of cats and dogs in county shelters. The data through December 2016 indicates that cat and dog euthanasias are decreasing, but intakes are not. **The Department of Legislative Services (DLS) recommends that MDA comment on why the data is seasonal, whether there are any geographic trends (urban vs. rural) that may be seen in a more detailed analysis of the data, and why euthanasias of cats and dogs appear to be decreasing, but not intakes. DLS also recommends that MDA comment on the status of feral cat colonies in Maryland.**

Rural Broadband Service Lacking: High-speed Internet access is pertinent to the Rural Maryland Council as it has allocated funding for two grants on this topic in fiscal 2018. In addition, the Rural Maryland Council's executive director recently served on a task force focused on high-speed Internet access. Data from calendar 2014 – the most recent data available – reflect that rural Marylanders' access to broadband Internet service may be greater than the country as a whole but that there is likely a greater focus on the major population centers – urban areas – at the expense of rural areas. **DLS recommends that MDA include Managing for Results measures for the Rural Maryland Council in its formal submission, that the Rural Maryland Council update its RuralStat website, and that the Rural Maryland Council comment on the strategies it is pursuing to improve rural broadband Internet access.**

Maryland Agricultural and Resource-Based Industry Development Corporation's Grant and Loan Activity Increasing: Chapter 467 of 2004 (2020 Rural Maryland – Agricultural and Resource-Based Industry Development Act) created the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) for rural business development and assistance funding. MARBIDCO's loan making has steadily increased over the years – from a low of \$1.1 million in fiscal 2010 to a high of \$9.3 million in fiscal 2017 – as annual appropriations have increased its working capital. In keeping with its goal of self-sufficiency, MARBIDCO's grant making has been at a lower

level with a low of \$31,293 in fiscal 2010 and a high of \$398,530 in fiscal 2012. In addition to increasing its loan making activity, MARBIDCO has generally increased over time the percent of loan and grant applications settled or approved and the percent of funding provided relative to the amount requested.

Issues

Maryland Agriculture Needs a New Strategic Plan: The time is ripe for a new strategic plan for agriculture in Maryland. The five-year period of the 2014 Farm Bill is almost over, and the U.S. Congress is already beginning negotiations on the 2018 Farm Bill. The 2017 Agricultural Census is underway and is expected to be released in February 2019, with recent reports from the Harry R. Hughes Center for Agro-Ecology informing possible directions for agriculture, and the last agricultural plan is a number of years old. **DLS recommends that MDA comment on the status of any strategic planning it is doing related to the future of agriculture in Maryland and that MDA complete a strategic plan incorporating the insights from the 2018 Farm Bill, 2017 Agriculture Census, recent strategic plans, the two reports completed by the Harry R. Hughes Center for Agro-Ecology, and any other economic or policy source material it considers relevant.**

Maryland Produce Safety Program Progressing: The U.S. Food and Drug Administration's (FDA) Food Safety Modernization Act fundamentally reformed food safety laws by shifting from a paradigm of reacting to contamination to preventing contamination. One component of the Food Safety Modernization Act is the Final Rule on Produce Safety, which is addressed by the Maryland Produce Safety Program. A number of farms have undergone training, although there are farms that still need to comply with the training requirement in the next two years. **DLS recommends that MDA comment on the likelihood that Maryland's farms will be able to comply with the Produce Safety Rule within the timelines given by FDA.**

Nonbiting Midges Treated Despite Funding Reduction: The fiscal 2018 budget bill included a supplemental deficiency appropriation of \$330,000 in general funds in fiscal 2017 in the Mosquito Control program for controlling the midge infestation in Back River in Baltimore County. The General Assembly struck this appropriation, but MDA has continued to fund the work within its own resources as required by Executive Order 01.01.2017.17 Back River Midge Reduction signed August 10, 2017. **DLS recommends that MDA comment on why it went ahead with the midge treatment despite the reduction of the fiscal 2017 deficiency funding by the General Assembly, what is not being done as a result of using MDA's own general fund resources to do the treatments, and whether the treatments are expected to be effective given the likely limited area and amount of treatments.**

Cover Crops in Need of a Funding Model: 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 the MDA operating budget. However, in fiscal 2017, there was overspending of the initial appropriation, which has necessitated changes to the program. The commodity component of the program has been dropped, but there are other timing, program, and budgeting changes that could also be implemented. SB 314 and HB 361 – Bay Restoration Fund – Fee Exemption, Disbursements, and Financial Assistance (Septic

Stewardship Act of 2018) – have been introduced in the 2018 legislative session. The bills would, among other actions, increase from 40% to 50% the funding that is used for cover crops from the Bay Restoration Fund Septic Account allocation. **DLS recommends that MDA comment on its long-term plan for balancing the policy goal of increasing cover crop use while budgeting within available resources.**

Operating Budget Recommended Actions

	<u>Funds</u>
1. Reduce funding for the Rural Maryland Prosperity Investment Fund.	\$ 2,500,000
2. Delete funding for the Next Generation Farmland Acquisition Program.	2,500,000
Total Reductions	\$ 5,000,000

Updates

Next Generation Farmland Acquisition Program Funds the Future of Farming: The Next Generation Farmland Acquisition Program was authorized by Chapter 289 of 2006 (the Agricultural Stewardship Act of 2006) in order to help qualified beginning or young farmers purchase farmland for sustainable agricultural uses. For fiscal 2018, MARBIDCO has held two rounds of funding: a summer and winter round. To date, approximately \$2.2 million of the \$2.5 million authorization has been committed. This funding will provide up to 51% of the fair market value purchase price of an agricultural property for a beginning farmer: (1) having at least one year of farming experience; (2) not owning a farm or ranch (or owning less than 10 acres); (3) not operating a farm or ranch as a principal operation for more than 10 years; and (4) expecting to substantially participate in the farming operation on the subject property.

Compliance and Enforcement Position Quarterly Reports Submitted: The fiscal 2018 operating budget bill restricted \$200,000 in general fund appropriations in each of the MDA and the Maryland Department of the Environment budgets for filling vacant compliance and enforcement positions and further restricted the funding until the submission of quarterly reports on July 1, 2017; October 1, 2017; January 1, 2018; and April 1, 2018. MDA’s portion of the reports provides information on the Agricultural Nutrient Management Program and the Turfgrass Nutrient Management Program.

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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 ensure consumer confidence, protect the environment, and promote agriculture. MDA is organized into four administrative units as described as follows.

- ***Office of the Secretary:*** Provides administrative support services, advises the Secretary of Agriculture on agricultural issues through the Maryland Agricultural Commission, 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; administers the Spay/Neuter program; promotes agriculture through agricultural fairs, shows, and youth activities; supports the transition from tobacco production in Southern Maryland; addresses issues affecting rural quality of life through the Rural Maryland Council and Maryland Agricultural Education and Rural Development Assistance Fund; and helps develop resource-based industries through the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO), 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 inspections, noxious weed control, nuisance bird control, and honeybee 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 (BMP) implementation, manure transport, and nutrient management plan development; trains, certifies, and licenses nutrient management plan consultants; and oversees Maryland's agricultural certainty and nutrient trading programs as part of Chesapeake Bay restoration efforts.

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The primary goals of MDA are as follows.

- **Goal 1:** Promote profitable production, use, and sale of Maryland agricultural products.
- **Goal 2:** Protect the health of the public, plant, and animal resources in Maryland.
- **Goal 3:** Preserve adequate amounts of productive agricultural land and woodland in Maryland in order to provide for the continued production of food and fiber, to limit random development, and to protect agricultural land and woodland as open space.
- **Goal 4:** Provide and promote land stewardship, including conservation, environmental protection, preservation, and resource management.
- **Goal 5:** Provide health, safety, and economic protection for Maryland consumers.

Performance Analysis: Managing for Results

The following analysis – which includes measures that are not formally included in MDA’s fiscal 2018 Managing for Results (MFR) submission – reflects the following: (1) cat and dog euthanasias are decreasing, but intakes are not; (2) the provision of standard broadband Internet access in rural areas in the United States as a whole and Maryland in particular is lacking; and (3) MARBIDCO’s absolute level of loans and the percent of both loan applications and grant amounts requested that have been filled have increased.

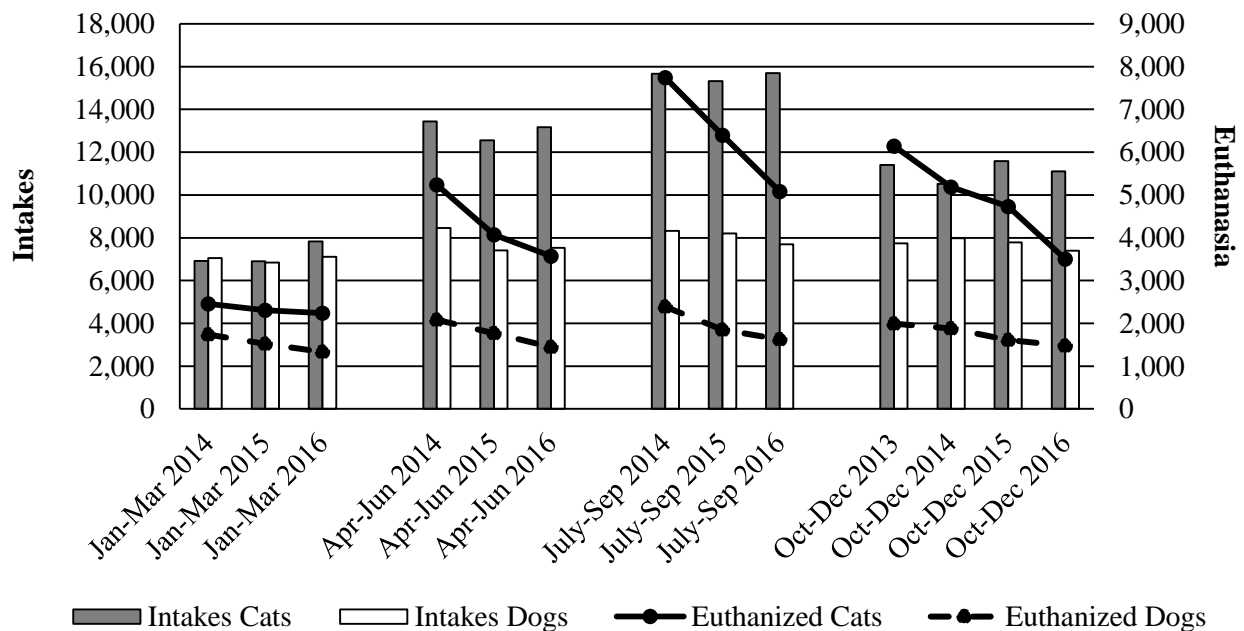
1. Shelter/Animal Care Facility Data Shows Decrease in Euthanasia but Not Intakes

The Spay/Neuter Program was initiated in fiscal 2015 but does not yet have any associated MFR measures. It could be expected to fall under either of MDA’s goals to protect the health of the public, plant and animal resources in Maryland, or to provide health, safety, and economic protection for Maryland consumers. The program’s goal is to reduce intake and euthanasia of cats and dogs in county shelters. This is done by providing grants to local government agencies and nonprofit animal welfare organizations. These agencies and organizations in turn provide free spay and neuter services and outreach to pets of low-income Marylanders and to populations of feral cats. The most recent longitudinal data available is the *3 Year Trend Analysis of Intake and Euthanasia in Maryland Animal Shelters* report published on July 27, 2017. This report covers trends from the initial quarter in calendar 2013 through the fourth quarter of 2016 and generally lumps data year-over-year by quarter since there is substantial seasonality in the intake and euthanasia trends.

As shown in **Exhibit 1**, the data from the 30 shelters/animal care facilities required to report or that voluntarily reported indicate that the euthanasias of cats and dogs has decreased over the

October 2013 to December 2016 time period. However, there does not appear to be a clear trend for intakes of cats and dogs over the same period. **The Department of Legislative Services (DLS) recommends that MDA comment on why the data is seasonal, whether there are any geographic trends (urban vs. rural) that may be seen in a more detailed analysis of the data, and why euthanasias of cats and dogs appear to be decreasing, but not intakes. DLS also recommends that MDA comment on the status of feral cat colonies in Maryland.**

**Exhibit 1
Combined Dog and Cat Statewide Numbers for Maryland Facilities
October 2013 through December 2016**



Source: Maryland Department of Agriculture; Department of Legislative Services

2. Rural Broadband Service Lacking

The Rural Maryland Council’s work falls under MDA’s goal to promote profitable production, use, and sale of Maryland agricultural products. While the Rural Maryland Council receives a \$2.5 million increase in funding through the Rural Maryland Prosperity Investment Fund as part of the fiscal 2019 allowance, there are no MFR measures included for the Rural Maryland Council in the fiscal 2019 MFR submission. In the past, the Rural Maryland Council has reported various measures by county and region on its RuralStat website developed with GeoDash at Salisbury University. These measures included the following:

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- population;
- percentage of population age 18 or younger;
- percentage of population over age 65;
- unemployment;
- percentage of population below the poverty level;
- per capita personal income;
- median household income;
- median sales value of single-family homes;
- adult death rates – accidents;
- chronic drinking as a percentage of population;
- heart disease – adult death rate;
- obesity rates;
- adult smoking rates; and
- high school graduation rates – percent graduating every year.

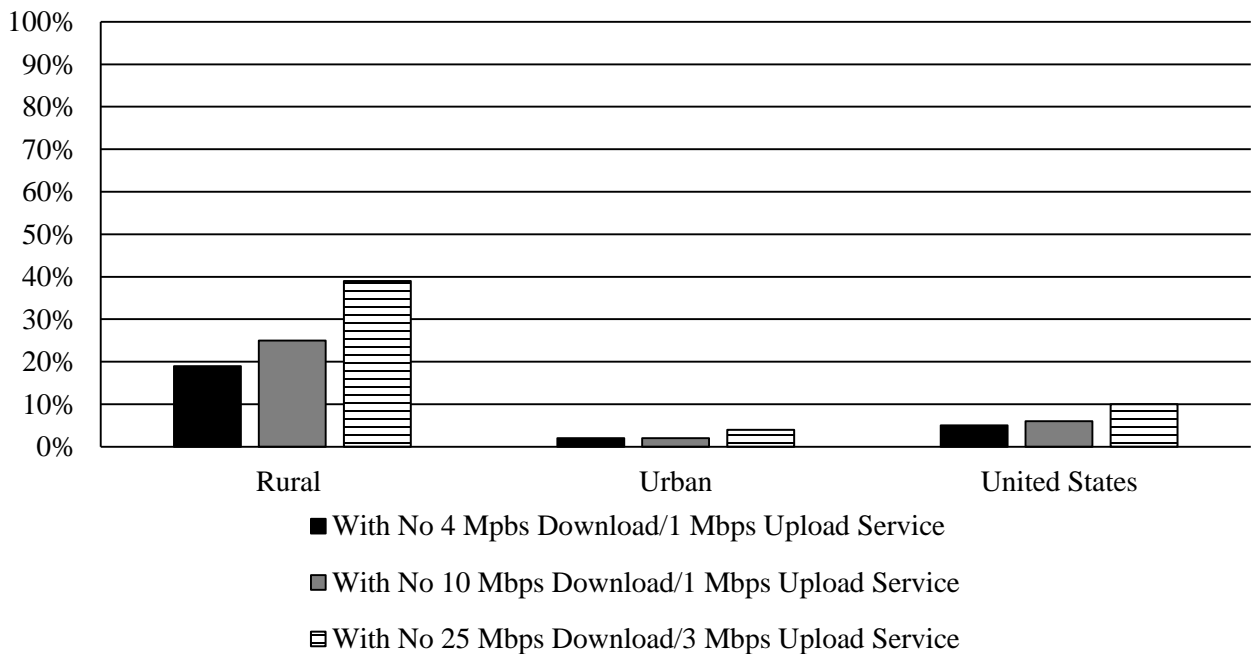
High-speed Internet access is a more recent measure of rural health. This concern has been described as the digital divide and reflects the difference between residential and commercial access to broadband Internet service – now defined by the Federal Communications Commission (FCC) as 25 megabits per second download and 3 megabits per second upload – between rural and urban areas. To the degree that rural parts of the United States – usually less densely populated and more geographically challenging and thus less attractive for commercial Internet access investment – are not keeping pace with urban areas, there is the risk of small businesses that cannot compete and the outward flow of youth seeking opportunities elsewhere.

High-speed Internet access is pertinent to the Rural Maryland Council as it has allocated funding for two grants on this subject in fiscal 2018. In addition, the Rural Maryland Council’s executive director recently served on a task force focused on high-speed Internet access. The Rural Maryland Council’s grants include \$90,000 for the Garrett County Community Action Committee to defray the initial installation costs associated with using NeuBeam’s broadband service for low-income families

and \$31,785 for the Southern Maryland Minority Chamber of Commerce Foundation to assist with the support of identifying areas in Southern Maryland best able to acquire U.S. Department of Agriculture (USDA) funds for broadband access.

In the fall of 2017, the federal Interagency Task Force on Agriculture and Rural Prosperity and the Task Force on Rural Internet, Broadband, Wireless, and Cellular Service – created by Chapters 620 and 621 of 2017 (Connecting Rural Maryland Act) and chaired by the Rural Maryland Council’s executive director – both came out with reports concerning rural broadband access. **Exhibit 2** shows data published in the federal task force’s October 2017 report *Report to the President of the United States from the Task Force on Agriculture and Rural Prosperity* that in turn comes from FCC’s “2016 Broadband Progress Report.” The data shows the lack of access to fixed terrestrial broadband service for the United States as a whole. As of December 2014, the most recent data available, the standard of 25 megabits per second download and 3 megabits per second upload service is not being met for 39% of Americans in rural areas while this standard is not being met for only 10% of Americans in urban areas.

Exhibit 2
Americans Lacking Access to Fixed Terrestrial Broadband Service at Various Speeds
December 2014



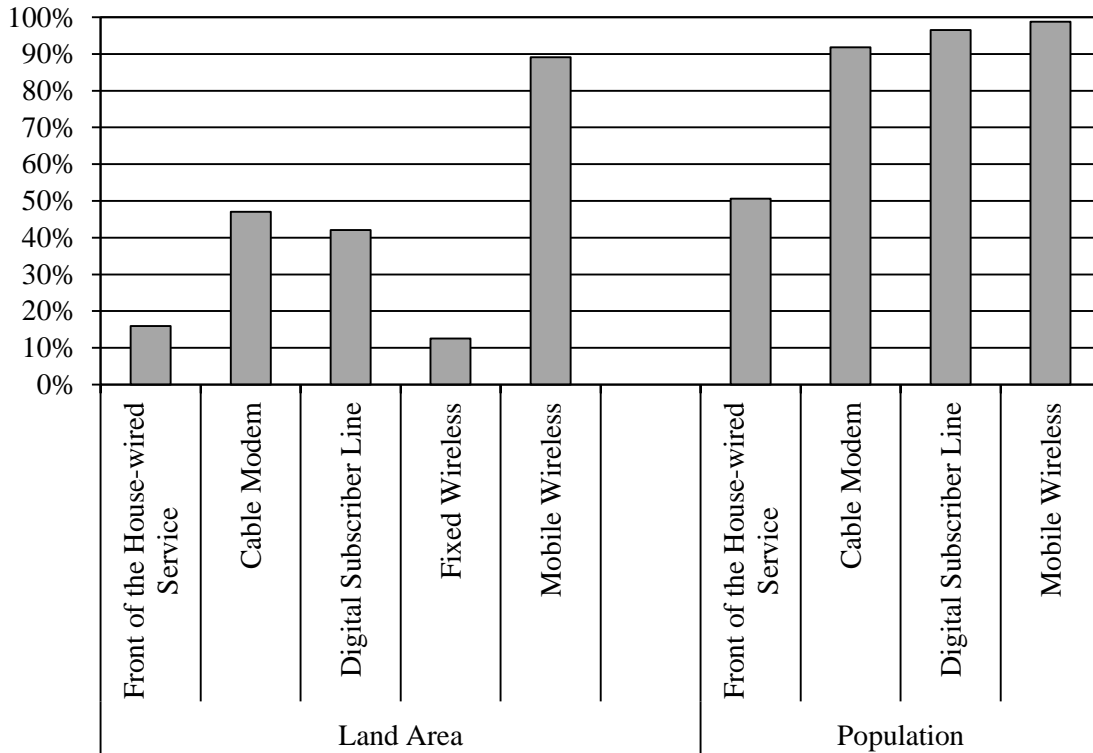
Mbps: megabits per second

Source: Federal Communications Commission

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The Task Force on Rural Internet, Broadband, Wireless, and Cellular Service published its report in January 2018. The report contains a number of recommendations, among which is the recommendation for the State to update its mapping capability related to broadband in order to calculate the overall cost for universal service last mile broadband. In addition, the report notes the most recent information on Maryland’s broadband availability by land area and population. As shown in **Exhibit 3**, the data from calendar 2014 – the most recent data available – reflect that rural Marylanders’ access to broadband Internet service may be greater than the country as a whole but that there is likely a greater focus on the major population centers – urban areas – at the expense of the greater land area – rural areas. **DLS recommends that MDA include MFR measures for the Rural Maryland Council in its formal submission, that the Rural Maryland Council update its RuralStat website, and that the Rural Maryland Council comment on the strategies it is pursuing to improve rural broadband Internet access.**

**Exhibit 3
Maryland’s Broadband Availability by Land Area and Population
Calendar 2014**



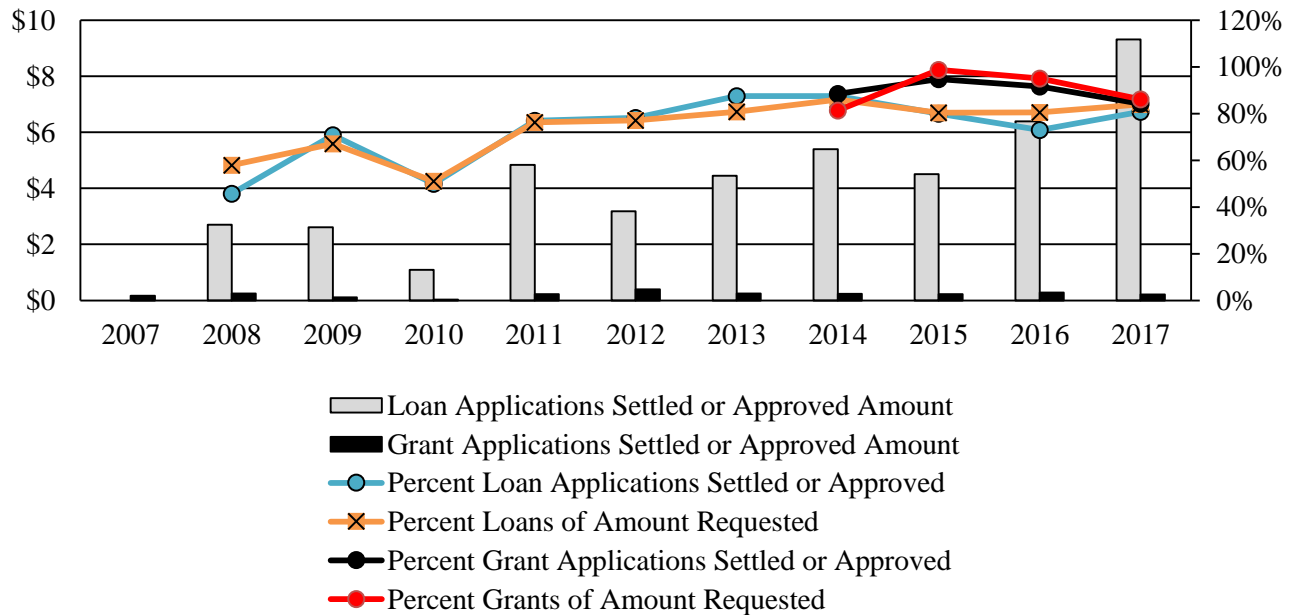
Source: Eastern Shore Geographic Information System Cooperative

3. Maryland Agricultural and Resource-Based Industry Development Corporation’s Grant and Loan Activity Increasing

Chapter 467 of 2004 (2020 Rural Maryland – Agricultural and Resource-Based Industry Development Act) created MARBIDCO for rural business development and assistance funding 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. Subsequently, Chapter 489 of 2015 (Budget Reconciliation and Financing Act (BRFA)) reduced funding for MARBIDCO to \$2,875,000 in fiscal 2016 through 2021, mandated that funding be extended for three additional years (through fiscal 2024) at \$2,875,000 per fiscal year, and stated that MARBIDCO shall conduct its financial affairs so that, by fiscal 2025, it is self-sufficient.

MARBIDCO’s work is not formally included in MDA’s MFR measures, but it would fall under the goal to promote profitable production, use, and sale of Maryland agricultural products. **Exhibit 4** shows the history of MARBIDCO’s grant and loan making. As can be seen, MARBIDCO’s loan making has steadily increased over the years – from a low of \$1.1 million in fiscal 2010 to a high of \$9.3 million in fiscal 2017 as annual appropriations have increased its working capital. In keeping with its goal of self-sufficiency, MARBIDCO’s grant making has been at a lower level with a low of \$31,293 in fiscal 2010 and a high of \$398,530 in fiscal 2012. In addition to increasing its loan making activity, MARBIDCO has generally increased the percent of loan and grant applications settled or approved and the percent of funding provided relative to the amount requested. For loans that have a longer period of recorded information, the percent settled or approved has ranged from 46% in fiscal 2008 to a high of 88% in fiscal 2013, and the percent of funding provided relative to the amount requested has ranged from a low of 58% in fiscal 2008 to 86% in fiscal 2014. In recent years, it appears that both measures have settled at around 80%.

Exhibit 4
MARBIDCO Grant and Loan Statistics
Fiscal 2007-2017
(\$ in Millions)



MARBIDCO: Maryland Agricultural and Resource-Based Industry Development Corporation

Note: MARBIDCO’s fiscal 2007 annual report does not provide data on the total number of loans and grants requested and its fiscal 2007 to 2013 annual reports do not provide data on the total number of grants requested.

Source: Maryland Agricultural and Resource-Based Industry Development Corporation; Department of Legislative Services

Fiscal 2018 Actions

Three actions impact the MDA fiscal 2018 budget: a proposed deficiency appropriation, cost containment as part of the September 2017 Board of Public Works (BPW) actions, and Section 19 across-the-board employee and retiree health insurance reductions.

Proposed Deficiency

The Governor has submitted a deficiency appropriation in fiscal 2018, which would increase MDA's operating budget appropriation by \$190,000 in general funds in the Office of Plant Industries and Pest Management – Mosquito Control program. The appropriation would provide for black fly eradication and control activities.

The black fly breeds in the whitewater areas of large rivers of which Maryland only has a couple, fewer than Pennsylvania. MDA notes that the black fly problem is long term. For instance, Pennsylvania – currently via the Department of Environmental Protection's Black Fly Suppression Program – has been controlling black flies since the mid-1980s and still has not eliminated them.

A fiscal 2017 supplemental deficiency appropriation provided for \$190,000 in general funds for black fly eradication and control activities through aerial spraying along the Potomac River in Washington County. This funding was intended to be used to perform five treatments, but only one treatment has been completed so far due to delays, although additional treatments are planned for May and June of 2018. The delays were due to changes in the eradication plan, the time it takes to get an Invitation for Bid approval, the BPW approval process, and the fact that Department of Natural Resources (DNR) staff were not available for sampling due to vacations and Labor Day. As a result, the one treatment occurred September 11, 2017. MDA purchased the biological control agent – *Bacillus thuringiensis var. israelensis* in a formulation called Vectobac 12AS – that costs \$80.95 per gallon and the contractor applied it to the fly larvae using a helicopter. No funding is included in the fiscal 2019 allowance for black fly eradication and control activities. **DLS recommends that MDA comment on the long-term funding plan for black fly eradication and control activities.**

Cost Containment

MDA's general fund appropriation decreases by \$390,622 due to cost containment. The cost containment was allocated through the September 6, 2017 BPW reductions for salaries based on shifting funding for two positions from general funds to County and Other Participation special funds in the Mosquito Control program (\$166,920), for salaries based on shifting funding for a position from general funds to the Equipment Testing and Licensing and Registration special funds in the Weights and Measures program (\$75,141), for salaries based on holding a position vacant in the Turf and Seed Program (\$71,553), for salaries based on holding a position vacant in the Resource Conservation Operations program (\$51,178), and for eliminating an Emergency Response and Preparedness emergency management officer contractual full-time equivalent (FTE) mid-year in the Administrative Services program due to the incumbent's retirement (\$25,830).

Across-the-board Employee and Retiree Health Insurance Reduction

The budget bill includes an across-the-board reduction for employee and retiree health insurance in fiscal 2018 to reflect a surplus balance in the fund. This agency’s share of this reduction is \$307,432 in general funds, \$132,258 in special funds, and \$21,013 in federal funds.

Proposed Budget

The MDA fiscal 2019 adjusted allowance increases by \$0.7 million, or 0.7%, relative to the fiscal 2018 working appropriation, as shown in **Exhibit 5**. The changes by fund in Exhibit 5 reflect an increase of \$3.3 million in general funds, a decrease of \$2.9 million in special funds, an increase of \$0.2 million in federal funds, and a \$25,000 increase in reimbursable funds. The major changes are a decrease of \$3.8 million in special funds from the Cigarette Restitution Fund (CRF) to reflect the end of the bond repayment for the Tobacco Transition Program and an increase of \$2.5 million in general funds for the Rural Maryland Prosperity Investment Fund managed by the Rural Maryland Council in order to improve working and living conditions in rural areas. Changes in personnel funding are discussed first and then other changes.

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

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2017 Actual	\$29,905	\$32,973	\$3,775	\$23,161	\$89,814
Fiscal 2018 Working Appropriation	31,768	34,633	4,343	23,372	94,115
Fiscal 2019 Allowance	<u>35,044</u>	<u>31,777</u>	<u>4,565</u>	<u>23,397</u>	<u>94,782</u>
Fiscal 2018-2019 Amount Change	\$3,275	-\$2,856	\$222	\$25	\$667
Fiscal 2018-2019 Percent Change	10.3%	-8.2%	5.1%	0.1%	0.7%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance including one-time reduction	\$530
Turnover adjustments.....	306
General salary increase	229
Additional assistance.....	208
Reclassification	85
Other fringe benefit adjustments	21
Abolished positions.....	-183

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Where It Goes:

Other Changes

Agricultural Policy

Rural Maryland Prosperity Investment Fund grants	2,497
Marketing and agricultural promotion	552
Manure to energy projects.....	239
Various grants and contracts	-679
Tobacco Transition Program bond repayments	-3,823

Information Technology (IT) and Equipment

State Chemist IT.....	260
Soil conservation district network updates	250
One-time laboratory equipment purchases.....	-461

Routine Operations

Building repairs and maintenance.....	331
Agricultural land easement costs	240
Other	65

Total **\$667**

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

Personnel

MDA overall personnel expenditures decrease by \$1,196,312 in the fiscal 2019 adjusted allowance. The personnel changes are as follows.

- **Employee and Retiree Health Insurance Including One-time Reduction:** Employee and retiree health insurance costs increase by \$529,825, which reflects an increase of \$460,703 for a one-time fiscal 2018 reduction in health insurance and an increase of \$69,122 for fiscal 2019 health insurance.
- **Turnover Adjustments:** There is an increase of \$306,127 as a result of the turnover rate being reduced from 6.18% in the fiscal 2018 working appropriation to 5.00% in the fiscal 2019 allowance. MDA notes that this will allow it to start filling some vacant positions funded with general funds.
- **General Salary Increase:** The fiscal 2019 allowance includes funds for a 2.0% general salary increase for all State employees, effective January 1, 2019. These funds are budgeted in the Department of Budget and Management’s statewide program and will be distributed to agencies during the fiscal year. MDA’s share of the general salary increase is \$155,179 in general funds, \$58,863 in special funds, \$8,095 in federal funds, and \$7,351 in reimbursable funds. In addition, employees will receive another 0.5% increase and a \$500 bonus effective April 1, 2019, if actual fiscal 2018 general fund revenues exceed the December 2017 estimate

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by \$75 million. These funds have not been budgeted. The Administration will need to process a deficiency appropriation if revenues are \$75 million more than projected.

- ***Additional Assistance:*** There is an increase of \$208,119 for additional assistance primarily as a result of the Food Quality Assurance – Fruit and Vegetable Grading program receiving a new U.S. Food and Drug Administration (FDA) grant. The \$210,000 increase in federal funds would provide salaries and fringe benefits for staff to conduct meat grading, produce safety rule compliance, country of origin reviews, and shell egg surveillance.
- ***Reclassification:*** There is an increase of \$84,884 for reclassifications. This reflects a technical adjustment of \$47,110 in general funds in the Turf and Seed program given that 1 position was not reflected correctly in the new budget system before the personnel data cutoff date, and the position was budgeted as a reclassification instead. In addition, MDA notes that it hires staff at the base funding level and so it is hard to maintain employees once they are trained. Therefore, MDA program managers have requested reclassification – a change of one grade – for 23 positions, which accounts for the remainder of the increase.
- ***Abolished Positions:*** There is a reduction of \$182,969 due to 3 positions being abolished. The 3 positions abolished in the fiscal 2019 allowance are long-term vacancies as follows: 1 administrator I in the Office of Plant Industries and Pest Management – Turf and Seed – Administration, 1 soil conservation associate II in the Office of Resource Conservation – Resource Conservation Operations – Patuxent, and 1 office secretary III in the Office of Resource Operations – Resource Conservation Operations – Eastern Maryland. MDA notes that it is planning to request recovering these 3 positions through the Governor’s supplemental budget process.

Other Changes

Overall, the nonpersonnel portion of the MDA fiscal 2019 adjusted allowance decreases by \$529,001. The areas of change may be broadly categorized as agricultural policy, information technology (IT) and equipment, and routine operations. The biggest changes are a decrease of \$3.8 million in special funds from the CRF to reflect the end of the bond repayment for the Tobacco Transition Program and an increase of \$2.5 million in general funds for the Rural Maryland Prosperity Investment Fund managed by the Rural Maryland Council.

Agricultural Policy

- ***Rural Maryland Prosperity Investment Fund Grants:*** The Rural Maryland Council receives an increase of \$2,497,127 in general funds in the fiscal 2019 allowance for grants to improve rural Maryland working and living conditions. This funding is budgeted in the Rural Maryland Prosperity Investment Fund to implement Chapters 469 and 470 of 2014 (Rural Maryland Prosperity Investment Fund – Revisions and Extension of Termination Date). Overall, the Rural Maryland Council funding increases by \$2,500,000 and includes additional funding for contractual services and travel, which are offset partially by a reduction for contractual FTEs, in

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addition to the funding for grants. Overall, \$6,167,000 in general funds is included for the Rural Maryland Council in fiscal 2019.

- ***Marketing and Agriculture Development Promotion:*** Funding for marketing and agriculture development increases by \$552,058. This reflects an increase of \$308,044 in federal funds to fund designers of newsletters, calendars, brochures, ads, photography, and researchers in Marketing and Agriculture Development, an increase of \$144,014 in federal funds in Agricultural Marketing for agricultural mediation, crop insurance, and Maryland's Best advertising for specialty crops, and an increase of \$100,000 in special funds in Seafood Marketing to reflect the return of the program to MDA in fiscal 2018 per Chapter 101 of 2017 (Department of Agriculture – Seafood and Aquaculture Product Marketing).
- ***Manure to Energy Projects:*** Funding from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund increases by \$239,000 in reimbursable funds for manure to energy projects.
- ***Various Grants and Contracts:*** There is a reduction of \$678,600 for various grants and contracts. There is a \$368,000 decrease in reimbursable funds for the Manure Transport Program in Resource Conservation Grants, a decrease of \$298,000 in federal funds in Marketing and Agriculture Development as a result of the timing of a Specialty Crop Block Grant Program – Farm Bill grant, and a decrease of \$150,000 in federal funds in watershed implementation from the USDA – Natural Resources Conservation Service's Environmental Quality Incentives Program. These reductions are offset partially by a net increase of \$137,400 (\$250,000 federal fund increase and \$112,600 reimbursable fund decrease) in the Watershed Implementation Program for studying phosphorus in dairy manure as a result of shifting from Chesapeake and Atlantic Coastal Bays 2010 Trust Fund special funds to federal funds.
- ***Tobacco Transition Program Bond Repayments:*** There is a reduction of \$3,823,000 in CRF special funds for Tobacco Transition Program bond repayments since the repayments end in fiscal 2018. Authorization of general obligation (GO) bonds for the Tobacco Transition Program began in fiscal 2004 and ended with the \$5.0 million authorization in fiscal 2010; the funding was authorized by a provision in the Maryland Consolidated Capital Bond Loan of 2006, which altered the use of GO bonds for the tobacco buyout funding plan that were originally laid out in Chapter 103 of 2001. The payment schedule was \$1.8 million in fiscal 2011, \$3.3 million from fiscal 2012 through 2015, and payments of \$3.8 million from fiscal 2016 to 2018 to round out the \$26.6 million required payment.

IT and Equipment

- ***State Chemist IT:*** There is an increase of \$260,000 in special funds in the State Chemist for a new IT system comprised of a front-end user portal and backend database system. There is an increase of \$140,000 in special funds for credit card processing fees in the State Chemist due to the payment of NIC – Maryland self-funded egovernment services – for use of the State online payment system to process registration fees. This is part of the recent launching of the State Chemist Product Registration Portal that allows manufacturers to electronically submit

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registration renewals and applications for products that are required to be registered in Maryland. There is also an increase of \$120,000 in special funds for continuing the accreditation and installation of the Laboratory Information Management System – the backend database portion of the information technology system.

- ***Soil Conservation District Network Updates:*** Funding increases by \$249,504 in general funds for network updates for soil conservation districts. MDA notes that this is work that is not funded by the Department of Information Technology.
- ***One-time Laboratory Equipment Purchases:*** Laboratory equipment funding decreases overall by \$461,275. This reflects a reduction of \$300,000 in special funds in the State Chemist due to a one-time purchase of a high-resolution mass spectrometer and \$175,000 in special funds in Weights and Measures primarily for the one-time replacement of a heating, ventilation, and air conditioning (HVAC) system in the laboratory.

Routine Operations

- ***Building Repairs and Maintenance:*** Overall, funding for building/road repairs and maintenance increases by \$330,548. This is primarily comprised of an increase of \$189,048 in Central Services (increase of \$298,082 in reimbursable funds and a decrease of \$109,034 in general funds) for headquarters as part of maintaining the 35-year-old building including roof repairs and a new HVAC system; and an increase of \$141,100 in special funds in the State Chemist for the renovation of the laboratory room and changing of a hood design for toxic air ventilation.
- ***Agricultural Land Easement Costs:*** Maryland Agricultural Land Preservation Foundation operating costs for agricultural land easement purchases increase by \$240,000 in special funds due to the assumption of additional appraisal cost work associated with a shift from a two-year to one-year easement purchase cycle.

Issues

1. Maryland Agriculture Needs a New Strategic Plan

The time is ripe for a new strategic plan for agriculture in Maryland. The five-year period of the 2014 Farm Bill is almost over, and the U.S. Congress is already beginning negotiations on the 2018 Farm Bill. The 2017 Agricultural Census is underway and is expected to be released in February 2019, with recent reports from the Harry R. Hughes Center for Agro-Ecology informing possible directions for agriculture, and the last agricultural plan is a number of years old.

Farm Bill

The Farm Bill is a five-year federal authorization covering several large policy areas that will expire in September 2018. Projected outlays under the 2014 Farm Bill between 2014 and 2018 of \$489 billion were projected to be as follows: nutrition (80%), crop insurance (8%), conservation (6%), commodities (5%), and other (1%). It is expected that rather than additional funding being provided, there will be modifications of the allocation percentages for the next Farm Bill. Regardless of the changes, MDA will need to plan how it positions itself in terms of priorities relative to the funding provided by the 2018 Farm Bill.

Agricultural Census

The 2017 Census of Agriculture has begun. USDA's National Agricultural Statistics Service started mailing the 2017 Census of Agriculture forms the week of November 28, 2017, and the census response deadline is February 5, 2018. The census has been conducted since 1840 and is conducted every five years. The most recent iteration will provide a snapshot of every farm operation that produced or sold, or normally would have sold, \$1,000 or more agricultural products in 2017. Census changes for 2017 include questions about on-farm decision making covering the contributions of beginning farmers, women farmers, and others involved in the farming enterprise. Given the comprehensive nature of the census, MDA would benefit from using the data generated to take stock of where Maryland is and where it may want to go in terms of agriculture.

Recent Plans

Agriculture in Maryland has been studied over the last 15 years and strategic plans have been generated, but none have been written recently. In terms of studies, there are the *Economic Situation and Prospects for Maryland Agriculture* (2002), Salisbury University's BEACON Study (2005), and *The Impact of Agriculture on Maryland's Economy* (2013). MDA's most recent comprehensive plan is *A Statewide Plan for Agricultural Policy and Resource Management* (2006), which was updated by survey information gathered as part of the Governor's 2010 Agricultural Forum. This plan and its update were important but may not be as applicable to a future in which technology, consumer behavior, land use, and attitudes toward agriculture are changing rapidly.

Recent Reports

The most recent reports on agriculture in Maryland were commissioned by the Harry R. Hughes Center for Agro-Ecology and are as follows: *The Future of Sustainable Farming and Forestry in Maryland* (2016), and *Health, Safety, and Welfare: A Report on the Factors that Favor or Hinder the Flow of Local Food in the Chesapeake Bay Region* (May 2017). These reports reflect the challenges experienced by agriculture in Maryland and the potential need to shift to a more local focus for agricultural production in order to capture more of the regional revenue stream.

MDA has noted that it is in the draft stages of an updated strategic plan but has not provided any specifics. In addition, MDA notes that Maryland's Best is a strategic plan of sorts, but it really functions more as a marketing or promotional program than as a strategic plan for Maryland agriculture. **DLS recommends that MDA comment on the status of any strategic planning it is doing related to the future of agriculture in Maryland and that MDA complete a strategic plan incorporating the insights from the 2018 Farm Bill, 2017 Agriculture Census, recent strategic plans, the two reports completed by the Harry R. Hughes Center for Agro-Ecology, and any other economic or policy source material it considers relevant.**

2. Maryland Produce Safety Program Progressing

FDA's Food Safety Modernization Act fundamentally reformed food safety laws by shifting from a paradigm of reacting to contamination to preventing contamination. One component of the Food Safety Modernization Act is the Final Rule on Produce Safety, which is addressed by the Maryland Produce Safety Program.

The Maryland Produce Safety Program addresses the safe growing, harvesting, packing, and holding of fruits and vegetables grown for human consumption. In order to do this, MDA is working on grower trainings – that are required for compliance by FDA – as well as on Good Agricultural Practices. Good Agricultural Practices is a voluntary guidance program for fruit and vegetable growers that MDA has been operating since 2008 but has since expanded into an educational tool that has trained over 900 farmers.

In terms of the universe of applicable farms to which the rule applies, MDA notes that it is working on an inventory of farms, but points out that it has never collected data on produce farms in this way before, which makes it difficult to estimate the universe. MDA estimates that it will know how many farms are covered by the rule in six to seven months. A further complication is that there are certain exemptions from the rule. For instance, a spinach grower that sells all of its produce to an entity that does further processing is exempt from the rule because there will be a kill step for microbes later in the supply chain. But if the same spinach grower sells any of its produce to a fresh market – where people might be exposed to microbes in the spinach – then the spinach grower is covered by the rule regardless of how much or little spinach is sold to the fresh market.

There are also qualified exemptions for some farms that are exempt from inspection but are still required to take the produce safety training. The farms that fall under these qualified exemptions still

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need to retain their records for three years to show that they are truly exempt. Conditions for qualified exemption include having less than \$500,000 in food sales, being within Maryland or within a 275-mile radius, and having not more than 50% of the produce go to a wholesaler. As an example, some sellers at farmers markets fall into this category of qualified exemption, but they will still have to have the name of the farm on which the produce was grown either on the produce or on a placard near the produce, which will complicate the aggregation of multiple farms' produce for sale at farmers markets.

In order to reach as many farmers as possible, MDA has been conducting trainings and is planning on conducting up to three trainings in January and February 2018. These trainings may have anywhere from 25 to over 50 farmers per training. There are also two to three trainings proposed for November and December 2018. MDA has training related agreements with University of Maryland Extension and the University of Maryland, College Park Campus – College of Agriculture and Natural Resources' Plant Science and Landscape Architecture Department.

MDA's current estimate about the status of farm compliance with the Produce Safety Rule is as follows:

- **Exempt:** 500 farms are exempt because they have less than \$25,000 in produce sales;
- **Sales Over \$500,000:** 35 to 40 farms need to comply with the Produce Safety Rule by taking the training by January 2018 and all have done so;
- **Sales Over \$250,000 but Less than \$500,000:** 300-400 farms need to comply by January 2019 and 200 have received training; and
- **Sales Over \$25,000 But Less Than \$250,000:** 100 farms need to comply by January 2020 and 10 or so have received training.

MDA received funding in fiscal 2018 from the U.S. Department of Health and Human Services – FDA's Research General Grant Funding. The appropriation is being used in the Food Quality Assurance program as part of a five-year \$3,625,000 cooperative agreement to develop and implement the Maryland Produce Safety Program. **DLS recommends that MDA comment on the likelihood that Maryland's farms will be able to comply with the Produce Safety Rule within the timelines given by FDA.**

3. Nonbiting Midges Treated Despite Funding Reduction

The fiscal 2018 budget bill included a supplemental deficiency appropriation of \$330,000 in general funds in fiscal 2017 in the Mosquito Control program for controlling the midge infestation in Back River in Baltimore County. The General Assembly struck this appropriation, but MDA has continued to fund the work within its own resources as required by Executive Order 01.01.2017.17 Back River Midge Reduction signed August 10, 2017. MDA indicates that it signed a contract for

\$330,000 in general funds for five treatments. However, the August 16, 2017 contract approved by BPW was for \$352,800 at \$235.20 per acre.

So far, \$20,000 was spent on an apparatus that was attached to a boat in order to apply the larvicide *Bacillus thuringiensis var. israelensis* – in formulation called Bactimos WG – to the muddy larval grounds of the midge. MDA notes that only one treatment was conducted in September 2017 due to contracting delays and that this treatment costs \$50,000. Therefore, a total of \$70,000 has been spent. Sampling by DNR determined that there was only modest reduction in midge larvae from this one treatment, but there was anecdotal evidence that the treatment successfully reduced the adult midge population. **DLS recommends that MDA comment on why it went ahead with the midge treatment despite the reduction of the fiscal 2017 deficiency funding by the General Assembly, what is not being done as a result of using MDA’s own general fund resources to do the treatments, and whether the treatments are expected to be effective given the likely limited area and amount of treatments.**

4. Cover Crops in Need of a Funding Model

Cover crops are one of the most effective BMPs for reducing nitrogen loads to the Chesapeake Bay and are a substantial portion of the MDA operating budget. However, in fiscal 2017, there was overspending of the initial appropriation, which has necessitated changes to the program.

Cover Crop Planting History

The Cover Crop Program initial acres increased through fiscal 2017 but then decreased in fiscal 2018; the amount of final paid acres also increased through fiscal 2017. **Exhibit 6** shows the cover crop history. Between fiscal 2005 and 2017, there has been more than a 900% increase in the amount of cover crop acres planted.

**Exhibit 6
Cover Crop History
Fiscal 2005-2019 Est.**

<u>Years</u>	<u>Initial Acres</u>	<u>Approved Acres</u>	<u>Fall Certification</u>	<u>Final Paid Acres</u>	<u>Final Paid Acres as a % Initial Acres</u>
2005	106,934	113,522	56,852	53,515	50.0%
2006	208,932	205,268	135,328	128,638	61.6%
2007	454,881	290,000	243,945	238,674	52.5%
2008	336,780	303,363	203,144	187,479	55.7%
2009	398,225	387,022	237,144	238,870	60.0%
2010	330,468	330,468	205,347	203,796	61.7%
2011	508,304	492,757	400,331	381,257	75.0%
2012	571,427	567,525	429,818	402,000	70.4%
2013	607,433	604,186	415,437	414,558	68.2%
2014	608,427	602,481	423,212	423,079	69.5%
2015	641,426	617,714	475,839	473,790	73.9%
2016	656,173	652,504	501,205	500,022	76.2%
2017	691,743	689,389	561,334	558,976	80.8%
2018 Est.	639,710	n/a	n/a	n/a	n/a
2019 Est.	n/a	n/a	n/a	n/a	n/a

Note: The data is as of January 2018.

Source: Maryland Department of Agriculture; Department of Legislative Services

Cover Crop Funding Shortfall

The cover crop funding shortfall in fiscal 2017 precipitated the need for a fiscal 2017 deficiency appropriation of \$2.5 million in general funds in a fiscal 2018 supplemental budget. This deficiency appropriation was struck by the General Assembly due to the opportunity to use funding from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. For instance, the funding could have been addressed from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund as follows:

- **Fund Balance:** use the estimated \$1.5 million fiscal 2017 closing balance to increase MDA’s fiscal 2017 appropriation for cover crops by \$1.5 million; and
- **Reallocation:** reallocate \$1.0 million of DNR funding from the allocations for Natural Filters or Cost-effective Nonpoint Source Projects to cover crops.

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The funding was not made available from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund, which meant that MDA had to use some of its fiscal 2018 funding to cover fiscal 2017 payments. Furthermore, MDA needed to economize on its fiscal 2018 funding as a result.

MDA notes that the cover crop funding shortfall has been addressed. This was done by removing commodity cover crops from the program. Furthermore, the plan is to address any deficit remaining after the fiscal 2018 spring expenditures by using the final Bay Restoration Fund payment – provided in the summer – and unencumbered Bay Restoration Fund funding.

There are some additional possibilities for addressing cover crop funding needs. These possibilities are as follows.

- **Timing Change:** The fiscal 2017 funding need was more than expected because the planting date was extended from the usual November 5 to November 15 in 2017 in order to accommodate weather delays at the beginning of the planting season. There was a record number of acres planted in the November 5 to November 15 time period, which then pushed the funding need over the amount available. Therefore, a determination could be made not to extend the planting date to November 15 in the future.
- **Program Changes:** Either the number of acres approved for the program or the payment per acre for additional incentives – such as earlier planting dates and different types of planting methods – could be reduced.
- **Budgeting Changes:** A larger Bay Restoration Fund unencumbered fund balance could be kept. This would allow for budgeting 90% of expected new revenues plus a portion of the balance for a particular year or 110% of prior year revenues could be budgeted and no portion of the unencumbered balance, which would be kept as a reserve.

SB 314 and HB 361 – Bay Restoration Fund – Fee Exemption, Disbursements, and Financial Assistance (Septic Stewardship Act of 2018) – have been introduced. The bills would, among other actions, increase from 40% to 50% the funding that is used for cover crops from the Bay Restoration Fund Septic Account allocation. **DLS recommends that MDA comment on its long-term plan for balancing the policy goal of increasing cover crop use while budgeting within available resources.**

Operating Budget Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce funding for the Rural Maryland Prosperity Investment Fund managed by the Rural Maryland Council in order to improve working and living conditions in rural areas. The fund receives a \$2,500,000 general fund increase in fiscal 2019 and so this reduction level funds it with fiscal 2018, leaving \$3,667,000 in general funds.	\$ 2,500,000	GF
2. Delete funding for the Next Generation Farmland Acquisition Program. This funding reflects the second year of repayment of a portion of transfer tax funding transferred to the general fund in fiscal 2006. The Next Generation Farmland Acquisition Program could be funded through an allocation from the Maryland Agricultural Land Preservation Program.	2,500,000	GF
Total General Fund Reductions	\$ 5,000,000	

Updates

1. Next Generation Farmland Acquisition Program Funds the Future of Farming

The Next Generation Farmland Acquisition Program was authorized by Chapter 289 of 2006 in order to help qualified beginning or young farmers purchase farmland for sustainable agricultural uses. Chapter 289 provided for \$5 million in funding per year for two consecutive fiscal years for the Next Generation Farmland Acquisition Program, but the funding was not provided. Chapter 610 of 2008 (Agricultural Land Transfer Tax – Surcharge and Distribution of Revenue) altered the distribution of the agricultural land transfer tax to provide 37.5% (up to a maximum of \$4 million annually) for the Next Generation Farmland Acquisition Program after other allocations, but revenue has never been great enough to provide funding in this manner.

Most recently, Chapter 10 of 2016 (Program Open Space – Transfer Tax Repayment – Use of Funds) mandated the repayment of \$5.0 million of the transfer tax funding transferred to the State’s general fund in fiscal 2006 be appropriated in fiscal 2018 to MARBIDCO to provide grants for the use of the Next Generation Farmland Acquisition Program. Subsequently, the BRFA of 2017 (Chapter 23) reduced the fiscal 2018 mandated appropriation for the Next Generation Farmland Acquisition Program from \$5.0 million to \$2.5 million and deferred funding of the remaining \$2.5 million to fiscal 2019.

The allocation of fiscal 2018 funding is shown in **Exhibit 7**. MARBIDCO has held two rounds of funding: a summer and winter round. To date, approximately \$2.2 million of the \$2.5 million authorization has been committed. This funding will provide for up to 51% of the fair market value purchase price of an agricultural property for a beginning farmer: (1) having at least one year of farming experience; (2) not owning a farm or ranch (or owning less than 10 acres); (3) not operating a farm or ranch as a principal operation for more than 10 years; and (4) expecting to substantially participate in the farming operation on the subject property.

After the Next Generation Farmland Acquisition Program funding is used to help the beginning farmer to make a down payment on a property, the beginning farmer will have seven years to sell the permanent farmland conservation easement to a rural land preservation organization – in which case MARBIDCO gets repaid and the funds revolve – or the land automatically is enrolled in a permanent easement – MARBIDCO does not get repaid but facilitates a below market rate easement purchase. MARBIDCO anticipates about half of the funds to revolve, and estimates that a \$35.9 million program could be leveraged by 2030 if \$2.5 million is provided to the Next Generation Farmland Acquisition Program for 10 years.

Exhibit 7
Next Generation Farmland Acquisition Program Project Funding
Fiscal 2018 (through January 19, 2018)

<u>Round</u>	<u>County</u>	<u>Total Acreage</u>	<u>Acre Used for Option Purchase Price</u>	<u>Final Option Purchase Price</u>	<u>Business Type</u>
Summer	Washington	104.99	103.99	\$249,264.03	Grain and row crops
Summer	Prince George's	148.5	146.5	500,000.00	Grain and row crops, poultry and eggs
Summer	Washington	149.08	148.08	362,499.84	Beef and dairy, grain and vegetables/special crops
Summer	Talbot	124.14	124.14	322,885.54	Grain and row crops, vegetables/specialty crops
Summer	Washington	98.27	97.27	248,038.50	Beef and dairy; poultry and eggs, organic hay
Winter	Frederick	167.06	166.06	500,000.00	Grain and row crops
Total		792.04	786.04	\$2,182,687.91	

Note: There was a property in the summer round in Frederick County that was withdrawn before a final option purchase price was determined for the 87 acres. The winter round property in Frederick has not had a final option purchase determined and so an estimate is reflected.

Source: Maryland Agricultural and Resource-Based Industry Development Corporation

2. Compliance and Enforcement Position Quarterly Reports Submitted

The fiscal 2018 operating budget bill restricted \$200,000 in general fund appropriations in each of MDA and the Maryland Department of the Environment (MDE) budgets for filling vacant compliance and enforcement positions and further restricted the funding until the submission of quarterly reports on July 1, 2017; October 1, 2017; January 1, 2018; and April 1, 2018. The reports were requested to include an evaluation of the adequacy of Maryland's current authorized compliance and enforcement positions; a comparison of the size, roles, and responsibilities of the departments' compliance and enforcement positions to neighboring or similar states; a list of all inspection activities in certain programs; and staffing and funding levels for fiscal 2018 and 2019.

Background

The 2016 *Joint Chairmen's Report* included the request for a similar report on compliance and enforcement inspections and positions for Chesapeake Bay restoration. The submitted report was not responsive to the request because the agencies were unable to evaluate the requested information in the context of Chesapeake Bay restoration.

Report Requirements

The fiscal 2018 budget bill language related to the quarterly reports required the following:

- (1) an evaluation of the adequacy of Maryland's current authorized compliance and enforcement positions in the departments. In completing the assessment, the departments should:
 - (a) provide information on the delegation of authority to other entities; and
 - (b) assess the impact of the role that technology has played on compliance and enforcement responsibilities;
- (2) a comparison of the size, roles, and responsibilities of the departments' compliance and enforcement positions to neighboring or similar states;
- (3) a list of all inspection activities conducted by MDE's Water Management Administration, Land Management Administration, Air and Radiation Management Administration, and MDA's Office of Resource Conservation; and
- (4) the number of:
 - (a) regular positions and contractual FTEs associated with the inspections, including the number of vacancies for the fiscal 2011 through 2017 actuals; and
 - (b) the fiscal 2018 current and fiscal 2019 estimated appropriations.

Report Summary

The report summary is as follows.

- ***Evaluation of Maryland's Compliance and Enforcement Positions:*** MDA notes that it is authorized to conduct compliance and enforcement inspections through the Office of Resource Conservation's Agricultural Nutrient Management Program and Turfgrass Nutrient Management Program. The Nutrient Management Program's aim is to complete a minimum of 10% of plan inspections per year, but it is not clear whether this goal is being met based on the information in the report. However, the Nutrient Management Program's 2016 annual report indicates that the 10% goal has been met for fiscal 2012 through 2016. The Turfgrass Nutrient

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Management Program was created by Chapters 484 and 485 of 2011 (Fertilizer Use Act of 2011) with the fertilizer application compliance inspections beginning after the fertilizer application requirements took effect October 1, 2013. The fiscal note for Chapters 484 and 485 indicates that there were at least 965 businesses that were required to be certified as professional applicators under the bill. The report notes that inspections ramped up in fiscal 2015 due to the phasing of inspection requirements in the original bill, which could not be confirmed in the statute, but it does appear that there is a three-year cycle of inspections based on the 350 record reviews for compliance estimated for fiscal 2018 out of an estimated 965 businesses that were required to be certified in the original bill. No information about the use of technology was provided for either program.

- ***October Update:*** No additional information.
- ***January Update:*** No additional information.
- ***Comparison to Other States:*** Maryland’s Agricultural Nutrient Management Program is similar to nonconcentrated animal feeding operations components of agricultural nutrient management programs in other Chesapeake Bay watershed states; MDE inspects concentrated animal feeding operations (CAFO) and animal feeding operations (AFO) that discharge to a waterway. In general, it appears that CAFOs in other states are required to have nutrient management plans and be inspected while AFOs, larger farms, and manure management program users may be required or encouraged to have nutrient management plans but are not necessarily inspected. For illustrative purposes, data from 2013 is as follows: (1) Delaware – 3.0 FTEs performed 85 inspections out of 1,072 regulated AFOs and large farm operations; (2) Pennsylvania – 54.0 FTEs oversaw 3,300 approved nutrient management plans (data was not available on manure management inspections and FTEs); (3) West Virginia – 1.3 FTEs implemented the CAFO program, which requires nutrient management plans on permitted and nonpermitted facilities but only requires inspections at two facilities; (4) New York – no information was available on the FTEs and inspections performed on the 562 permitted CAFOs and the nonpermitted AFOs; and (5) Virginia – no inspection information was available but 0.725 FTEs cover 86 CAFOs and 9.56 FTEs cover 1,307 farms comprised of AFOs or Poultry Waste Management permit program users. No other Chesapeake Bay watershed state has a mandatory Turfgrass Nutrient Management Program, and so there is no comparison to be made.
 - ***October Update:*** No additional information.
 - ***January Update:*** No additional information.
- ***Inspection Activities:*** As noted above, MDA conducts inspections under the Agricultural Nutrient Management Program and Turfgrass Nutrient Management Program.
 - ***October Update:*** Monthly inspection data for both programs was updated.

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- **January Update:** Annual inspection data was added for fiscal 2011 and updated for the fiscal 2018 estimate and the 2019 estimate. For the Agricultural Nutrient Management Program, the updated data shows the on-farm audits and inspections decreasing from 852 to 705 in fiscal 2018 and from 1,100 to 885 in fiscal 2019. For the Turfgrass Nutrient Management Program, the updated data shows the record review for compliance decreasing from 350 to 189 in fiscal 2018 and from 350 to 225 in fiscal 2019.
- **Positions and Funding:** The number of inspectors has been fairly steady between fiscal 2012 and the fiscal 2019 estimate. MDA’s fiscal 2018 funding for the Agricultural Nutrient Management Program is \$774,032, which is comprised of \$489,894 for salaries and \$284,138 for fringe benefits, and funds 9 agricultural inspectors. Fiscal 2018 funding for the Turfgrass Nutrient Management Program is \$158,381, which is comprised of \$100,241 for salaries and \$58,140 for fringe benefits, and funds 2 urban inspectors. MDA notes that 1 of the positions is a contractual FTE and is not paid from general funds, but it is not clear which inspection program is meant. No funding is mentioned in the report for fiscal 2019.
- **October Update:** The updated fiscal 2018 estimate for the Agricultural Nutrient Management Program indicates that the number of on-farm audits and inspections has been updated from 1,100 to 852.
- **January Update:** Annual position data was added for fiscal 2011 and updated for the fiscal 2018 estimate and fiscal 2019 estimate. The updated fiscal 2018 estimate for the Agricultural Nutrient Management Program indicates that budgeted positions have decreased from 7 to 6, and vacancies have increased from 2 to 3. The updated fiscal 2019 estimate indicates that budgeted positions have decreased from 9 to 8, and vacancies have increased from 0 to 1. The updated fiscal 2018 estimate for the Turfgrass Nutrient Management Program indicates that budgeted positions have decreased from 2 to 1, and vacancies have increased from 0 to 1.

The annual inspection and position data for the Agricultural Nutrient Management Program and the Turfgrass Nutrient Management Program are shown in **Exhibit 8**.

Exhibit 8
Agricultural Nutrient Management Program and Turfgrass Nutrient
Management Program Data
Fiscal 2011-2019 Estimate

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u> <u>Est.</u>	<u>2019</u> <u>Est.</u>
Agricultural Nutrient Management Program									
On-farm audits and inspections	450	647	738	733	890	1,022	1,004	705	885
Workforce including contractuels	6	8	7	8	7	9	8	6	8
Vacancies	3	1	2	1	2	0	1	3	1
Turfgrass Nutrient Management Program									
Record reviews for compliance	60	71	22	16	344	197	240	189	225
Workforce including contractuels	1	1	1	2	2	2	2	1	2
Vacancies	1	1	1	0	0	0	0	1	0

Note: For the Agricultural Nutrient Management Program, the vacancies were as follows: fiscal 2017 – vacant position on April 2017; fiscal 2018 – vacant position on July 1, 2017; and both a vacant position and contractual full-time equivalent on October 1, 2017. For the Turfgrass Nutrient Management Program, the fiscal 2018 vacant position was on December 5, 2017.

Source: Maryland Department of Agriculture

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Appendix 1
Current and Prior Year Budgets
Maryland Department of Agriculture
(\$ in Thousands)

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2017					
Legislative Appropriation	\$29,264	\$34,009	\$3,626	\$23,342	\$90,240
Deficiency Appropriation	1,220	0	0	0	1,220
Cost Containment	0	0	0	0	0
Budget Amendments	-480	720	1,353	890	2,483
Reversions and Cancellations	-98	-1,757	-1,204	-1,070	-4,129
Actual Expenditures	\$29,905	\$32,973	\$3,775	\$23,161	\$89,814
Fiscal 2018					
Legislative Appropriation	\$32,276	\$34,765	\$3,600	\$23,372	\$94,013
Cost Containment	-391	0	0	0	-391
Budget Amendments	0	0	763	0	763
Working Appropriation	\$31,886	\$34,765	\$4,364	\$23,372	\$94,386

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. Numbers may not sum to total due to rounding.

Fiscal 2017

The general fund appropriation increased by \$641,521. The changes are as follows.

- **Deficiency Appropriation:** A net increase of \$1,220,000 primarily due to an increase in the Resource Conservation Grants program in order to replace funding for the Cover Crop Program that was used for Maryland Agricultural Cost-Share Program projects since the funding restricted for the Maryland Agricultural Cost-Share Program in the Rainy Day Fund as part of the fiscal 2017 budget was not released by the Administration (\$1,100,000).
- **Budget Amendments:** A net decrease of \$480,312 due to a budget amendment that transfers funding to the Department of Information Technology related to 10 full-time equivalents transferred during calendar 2016 for the Information Technology Enterprise Initiative, as authorized by Section 21 of the fiscal 2017 budget bill (\$791,311), which is offset partially by an increase for the allocation of fiscal 2017 increment funding as authorized in the fiscal 2017 budget (\$310,999).
- **Reversions:** A decrease of \$98,167 due to reversions in a number of programs.

The special fund appropriation decreased by \$1,036,162. The changes are as follows.

- **Budget Amendments:** An increase of \$720,435 due to budget amendments that include allocating funding from the National Fish and Wildlife Foundation, which was received in the Private Grants fund for a pilot program to provide grants to farmers for nitrogen incentive payments in the Office of Resource Conservation – Program Planning and Development (\$250,000), and additional Livestock License Fee and Laboratory Testing revenues for covering expenses related to supplies and materials in the Animal Health program (\$200,000).
- **Cancellations:** A decrease of \$1,756,597 due to cancellations primarily in the Marketing and Agriculture Development program due to the Spay and Neuter Grants Program not expending as much on grants as anticipated, and the Wine and Grape Board not being in place in time to make grants (\$484,719); and the Weights and Measures Program due to positions held vacant as part of the hiring freeze, laboratory equipment not being purchased, and gas and oil costs being less than expected (\$456,370).

The federal fund appropriation increased by \$148,988. The changes are as follows.

- **Budget Amendments:** An increase of \$1,353,442 due to budget amendments primarily for two grant agreements under the U.S. Department of Agriculture – Natural Resources Conservation Service’s Environmental Quality Incentives Program reflecting an extension of funding until September 30, 2016, for creating a voluntary Agricultural Certainty Program for producers per Chapter 339 of 2013 (Maryland Agricultural Certainty Program) by using an on-farm nutrient assessment and best management credit tool that is consistent with Maryland’s Watershed

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Implementation Program (WIP) and from new funding that would be used for adapting innovative technologies to eliminate phosphorus from dairy manure, primarily in Western Maryland (\$699,544); and developing and implementing a Maryland Produce Safety Program in order to implement the federal Food Safety Modernization Act produce safety rule – establishing a science-based minimum standards for the safe growing, harvesting, packing and holding of fruits and vegetables grown for human consumption – from U.S. Department of Health and Human Services (HHS) – U. S. Food and Drug Administration’s (FDA) General Grant Funding, which will be provided as part of a cooperative agreement over five years in the Food Quality Assurance program (\$497,065).

- **Cancellations:** A decrease of \$1,204,454 due to cancellations primarily in the WIP due to the Agricultural Certainty and Nutrient Trading programs being delayed (\$496,746).

The reimbursable fund appropriation decreased by \$180,413. The changes are as follows.

- **Budget Amendments:** An increase of \$889,812 due to budget amendments primarily that transfer funding from the Maryland Department of the Environment to the Maryland Department of Agriculture’s (MDA) Resource Conservation Operations for Phase III construction of the stream bank restoration of the Shank/Anderson property in the Antietam watershed via work coordinated through the Washington County Soil Conservation District Office (\$443,960).
- **Cancellations:** A decrease of \$1,070,225 due to cancellations primarily in Resource Conservation Grants due to revenues not meeting estimates (\$716,452).

Fiscal 2018

MDA’s general fund appropriation decreases by \$390,622 due to cost containment. The cost containment was allocated through the September 6, 2017 Board of Public Works reductions primarily for salaries based on shifting funding for 2 positions from general funds to County and Other Participation special funds in the Mosquito Control program (\$166,920).

MDA’s federal fund appropriation increases by \$763,339 due to a budget amendment. The budget amendment is used in the Food Quality Assurance program as part of a five-year \$3,625,000 cooperative agreement to develop and implement a Maryland Produce Safety Program along the lines of the federal Food Safety Modernization Act Produce Safety rule and is funded by HHS’ – FDA’s Research General Grant Funding.

**Appendix 2
Object/Fund Difference Report
Department of Agriculture**

<u>Object/Fund</u>	<u>FY 17 Actual</u>	<u>FY 18 Working Appropriation</u>	<u>FY 19 Allowance</u>	<u>FY 18 - FY 19 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	356.10	355.10	352.10	-3.00	-0.8%
02 Contractual	46.65	44.97	46.05	1.08	2.4%
Total Positions	402.75	400.07	398.15	-1.92	-0.5%
Objects					
01 Salaries and Wages	\$ 29,288,606	\$ 28,835,278	\$ 29,341,399	\$ 506,121	1.8%
02 Technical and Spec. Fees	1,713,096	1,420,274	1,444,504	24,230	1.7%
03 Communication	653,633	684,869	602,459	-82,410	-12.0%
04 Travel	451,307	496,802	548,413	51,611	10.4%
06 Fuel and Utilities	677,650	810,301	718,753	-91,548	-11.3%
07 Motor Vehicles	1,169,147	1,227,126	1,250,684	23,558	1.9%
08 Contractual Services	6,099,149	5,989,501	7,622,394	1,632,893	27.3%
09 Supplies and Materials	1,520,045	1,342,214	1,527,225	185,011	13.8%
10 Equipment – Replacement	249,279	580,140	280,921	-299,219	-51.6%
11 Equipment – Additional	78,917	41,450	28,150	-13,300	-32.1%
12 Grants, Subsidies, and Contributions	42,463,314	47,780,242	49,712,273	1,932,031	4.0%
13 Fixed Charges	5,221,650	4,972,565	1,030,707	-3,941,858	-79.3%
14 Land and Structures	228,350	205,000	445,000	240,000	117.1%
Total Objects	\$ 89,814,143	\$ 94,385,762	\$ 94,552,882	\$ 167,120	0.2%
Funds					
01 General Fund	\$ 29,905,248	\$ 31,885,637	\$ 34,888,468	\$ 3,002,831	9.4%
03 Special Fund	32,972,961	34,764,893	31,718,062	-3,046,831	-8.8%
05 Federal Fund	3,774,561	4,363,546	4,556,551	193,005	4.4%
09 Reimbursable Fund	23,161,373	23,371,686	23,389,801	18,115	0.1%
Total Funds	\$ 89,814,143	\$ 94,385,762	\$ 94,552,882	\$ 167,120	0.2%

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.

**Appendix 3
Fiscal Summary
Department of Agriculture**

<u>Program/Unit</u>	<u>FY 17 Actual</u>	<u>FY 18 Wrk Approp</u>	<u>FY 19 Allowance</u>	<u>Change</u>	<u>FY 18 - FY 19 % Change</u>
11 Office of the Secretary	\$ 8,254,819	\$ 7,764,657	\$ 8,030,185	\$ 265,528	3.4%
12 Office of Marketing, Animal Industries and Consumer Services	23,195,829	28,050,184	27,441,495	-608,689	-2.2%
14 Office of Plant Industries and Pest Management	11,092,821	10,852,182	11,564,244	712,062	6.6%
15 Office of Resource Conservation	47,270,674	47,718,739	47,516,958	-201,781	-0.4%
Total Expenditures	\$ 89,814,143	\$ 94,385,762	\$ 94,552,882	\$ 167,120	0.2%
General Fund	\$ 29,905,248	\$ 31,885,637	\$ 34,888,468	\$ 3,002,831	9.4%
Special Fund	32,972,961	34,764,893	31,718,062	-3,046,831	-8.8%
Federal Fund	3,774,561	4,363,546	4,556,551	193,005	4.4%
Total Appropriations	\$ 66,652,770	\$ 71,014,076	\$ 71,163,081	\$ 149,005	0.2%
Reimbursable Fund	\$ 23,161,373	\$ 23,371,686	\$ 23,389,801	\$ 18,115	0.1%
Total Funds	\$ 89,814,143	\$ 94,385,762	\$ 94,552,882	\$ 167,120	0.2%

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.