

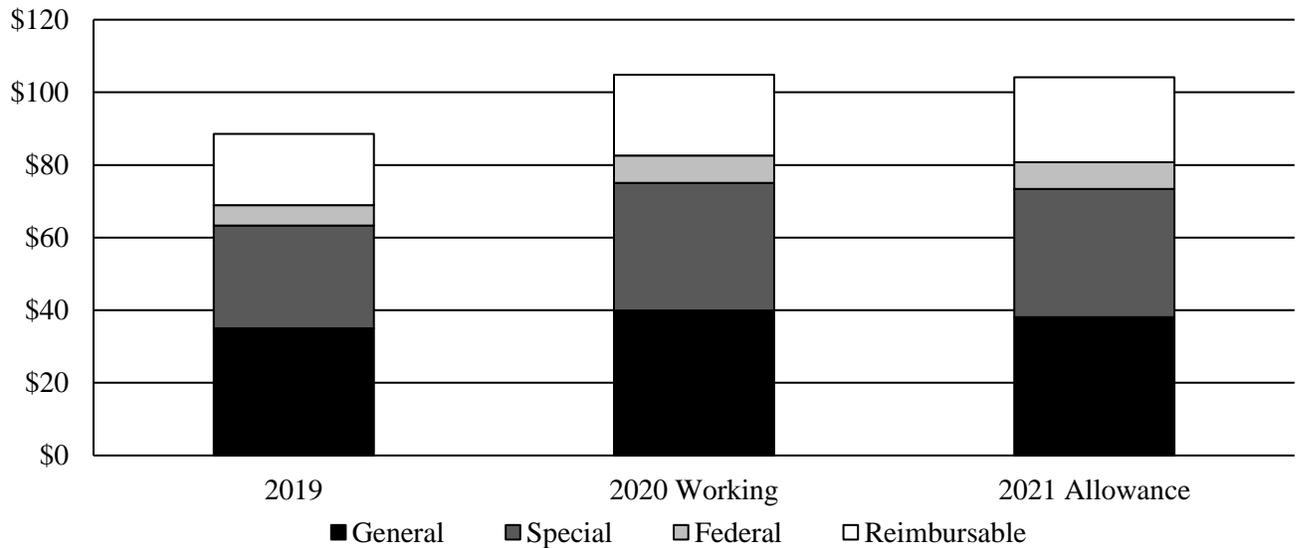
L00A
Department of Agriculture

Program Description

The Maryland Department of Agriculture (MDA) supervises, administers, and promotes agricultural activities throughout the State. MDA’s 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 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; to provide and promote land stewardship, including conservation, environmental protection, preservation and resource management; to provide health, safety, and economic protection for Maryland consumers; and, for the Rural Maryland Council, to bring together citizens, community-based organizations, federal, State, county and municipal government officials as well as representatives of the for-profit and nonprofit sectors to collectively address the needs of rural Maryland communities.

Operating Budget Summary

Budget Decreases by \$0.7 Million or 0.7% to \$104.2 Million in Fiscal 2021
(\$ in Millions)



Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

- The overall adjusted change in the MDA fiscal 2021 allowance is a decrease of \$0.7 million, or 0.7%. The major changes are an increase of \$3.2 million for 56 new positions and a decrease of \$4.6 million for the Animal Waste Technology Fund from Exelon/Constellation merger funding.

For further information contact: Andrew D. Gray

Phone: (410) 946-5530

Fiscal 2020

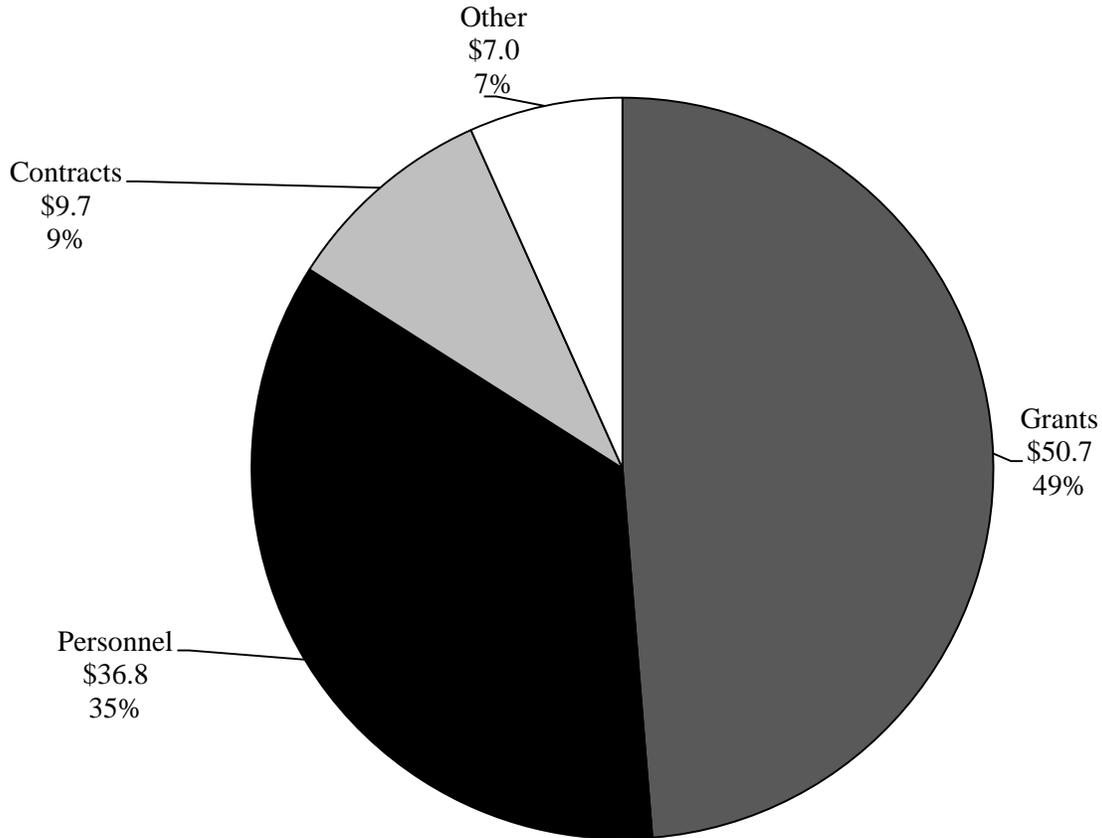
Proposed Deficiency

The Governor has submitted a deficiency appropriation for the fiscal 2020 operating budget that transfers reimbursable fund appropriations within a program and thus does not increase MDA's overall appropriation. The reimbursable fund appropriation is supported by the Department of Natural Resources' Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. The deficiency appropriation moves \$563,760 from grants to salaries in order to convert 40 Soil Conservation District grant-funded personnel to regular positions in the Resource Conservation Operations program.

Fiscal 2021 Overview of Agency Spending

MDA's main expenditure categories are grants, personnel, contracts, and other administrative funding. **Exhibit 1** reflects this breakdown. The largest category is grants, which accounts for \$50.7 million, or 49%, of MDA's fiscal 2021 allowance. The three main grants are \$25.5 million for cover crops, \$5.8 million for the Rural Maryland Council, and \$5.4 million for the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO). The personnel category includes funding for both MDA's 410.1 regular positions and 68.17 contractual full-time equivalents (FTE) and accounts for \$36.8 million, or 35%, of MDA's fiscal 2021 allowance. The next largest expenditure category is contracts, which accounts for \$9.7 million, or 9%, of the fiscal 2021 allowance. The three main contracts are the \$1.9 million for University of Maryland Extension nutrient management advisors for writing nutrient management plans, \$1.6 million for Department of Information Technology fees for service funding, and \$1.0 million for contractual arrangements with the Department of General Services (DGS) and the Maryland Department of Planning related to agricultural easement purchases. The remaining \$7.0 million, or 7%, of expenditures are for other spending.

Exhibit 1
Overview of Agency Spending
Fiscal 2021 Allowance
(\$ in Millions)



Source: Department of Budget and Management; Department of Legislative Services

Proposed Budget Change

The MDA fiscal 2021 adjusted allowance decreases by \$0.7 million, or 0.7%, relative to the fiscal 2020 working appropriation, as shown in **Exhibit 2**. The changes by fund reflect a decrease of \$1.8 million in general funds, an increase of \$0.2 million in special funds, a decrease of \$0.1 million in federal funds, and an increase of \$1.1 million in reimbursable funds. The major changes are an increase of \$3.2 million for 56 new positions and a decrease of \$4.6 million for the Animal Waste Technology Fund from Exelon/Constellation merger funding. Changes in personnel funding are discussed first and then other administrative changes.

**Exhibit 2
Proposed Budget
Department of Agriculture
(\$ in Thousands)**

How Much It Grows:	<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 2019 Actual	\$34,980	\$28,343	\$5,573	\$19,693	\$88,588
Fiscal 2020 Working Appropriation	39,913	35,169	7,504	22,292	104,878
Fiscal 2021 Allowance	<u>38,096</u>	<u>35,328</u>	<u>7,371</u>	<u>23,369</u>	<u>104,164</u>
Fiscal 2020-2021 Amount Change	-\$1,818	\$159	-\$134	\$1,077	-\$715
Fiscal 2020-2021 Percent Change	-4.6%	0.5%	-1.8%	4.8%	-0.7%
Where It Goes:					<u>Change</u>
Personnel Expenses					
56 new positions net of one-time deficiency					\$2,608
Employee and retiree health insurance.....					236
Fiscal 2021 2% cost-of-living allowance					234
Turnover adjustments.....					147
Retirement contribution.....					103
Net annualization of the fiscal 2020 1% cost-of-living allowance.....					68
Other fringe benefit adjustments					-23
Reclassification					-63
Workers' compensation premium assessment					-94
General salary decrease.....					-423
Other Changes					
Office of Resource Conservation Grants					
Cover Crop Program.....					3,000
Manure Transport Program.....					1,055
Grants to farmers.....					800
Maryland Farms and Families Program.....					100
Federal Dairy Margin Coverage Program.....					-1,500
Soil conservation district shift from grants to new positions and one-time deficiency					-2,082
Animal Waste Technology Fund					-4,620
Routine Operations					
Maryland Agricultural Land Preservation Foundation funding.....					181
Phosphorus Management Tool.....					151
State Produce Safety Program education					107
Other					43
Animal Health equipment and services					-91
Targeted States Program.....					-652
Total					- \$715

Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

Personnel

The MDA overall personnel expenditures increase by \$2,792,684 in the fiscal 2021 adjusted allowance. The major change is a net increase of \$2,608,325 for 56 new regular positions, which accounts for the one-time fiscal 2020 \$563,760 reimbursable fund deficiency. Of these 56 new positions, 53 positions are soil conservation district positions funded by Chesapeake and Atlantic Coastal Bays 2010 Trust Fund reimbursable funds as part of Chesapeake Bay restoration with the intent of improving retention, and 3.0 positions are for other purposes. Of the 53 new soil conservation district positions, 40 are funded with a fiscal 2020 deficiency appropriation of \$563,760 that reflects the shift from grant funds to regular position funding, and 13 are new positions funded in fiscal 2021. The new soil conservation district positions are needed to help MDA meet the reduction of 4.4 million pounds of nitrogen as required by the Chesapeake Bay Total Maximum Daily Load. MDA notes that the rationale for the number of new positions is based on recent performance of field staff, best management practice backlog, gap analysis, and extensive feedback from soil conservation district personnel and conservation partners such as the U.S. Department of Agriculture’s (USDA) Natural Resources Conservation Service. The geographic location and function of the 56 new soil conservation district positions are reflected in **Exhibit 3**.

Exhibit 3 Soil Conservation District Positions Fiscal 2021

<u>Region</u>	<u>New Positions</u>			<u>Total</u>
	<u>Planner</u>	<u>Technician</u>	<u>Verifier</u>	
Western Maryland	10	9	1	20
Patuxent	6	5	1	12
Eastern Shore	11	9	1	21
Total	27	23	3	53

Source: Maryland Department of Agriculture

The other 3.0 new positions in the fiscal 2021 allowance are as follows: 2.0 positions – 1 agronomist I in the Turf and Seed program and 1 laboratory technician I in the State Chemist program – for implementing the Hemp Program established by Chapter 228 of 2019 (Agriculture – Hemp Research and Production); and 1.0 position – an entomologist I pest management in the Plant Protection and Weed Management program – funded with federal funds for leading efforts to contain the invasive spotted lanternfly that have led to quarantines in Cecil and Harford counties and are expected to expand in calendar 2020. Other increases include \$236,172 for employee and retiree health insurance, \$233,714 for the fiscal 2021 2% cost-of-living allowance, \$147,234 due to a reduction in turnover from 6.81% to 6.32%, \$103,447 for retirement contributions, and \$68,181 for the net annualization of the fiscal 2020 1% cost-of-living allowance.

L00A – Department of Agriculture

The fiscal 2021 adjusted allowance decreases by \$422,505 for general salaries. Other decreases include \$94,247 for the workers' compensation premium assessment and \$62,595 for reclassification.

Other Changes

Overall, the nonpersonnel portion of the MDA fiscal 2021 adjusted allowance decreases by \$3,507,338. However, the funding levels are difficult to discern in MDA's budget information. **The Department of Legislative Services (DLS) recommends that committee narrative be adopted requesting MDA to submit a report on the Office of Resource Conservation grant funding levels for the fiscal 2021 working appropriation and fiscal 2022 allowance by fund and fund source.**

Office of Resource Conservation Grants

There are a number of changes in the Office of Resource Conservation program funding for grants. The largest funding increase is for the Cover Crop Program, which increases from \$22,450,000 to \$25,450,000, or \$3,000,000. The change reflects an increase of \$3,000,000 in Bay Restoration Fund special funds from prior year funding carried over in the fund balance. Another large increase is for the Manure Transport Program, which increases from \$1,556,817 to \$2,612,117, or \$1,055,300, based on an increase of \$1,000,000 in Chesapeake and Atlantic Coastal Bays 2010 Trust Fund reimbursable funds and an increase of \$55,300 in special funds reflecting matching funding from the poultry integrators. The increased funding for the Manure Transport Program is intended to address the needs of transitioning Tier A farm operations accounting for 122,705 acres in calendar 2021 to the use of the Phosphorus Management Tool (PMT).

Funding for grants from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund increases by \$800,000 to assist farmers with nutrient management regulations, bringing the total funding for this purpose to \$2,800,000. The fiscal 2021 allowance increases by \$100,000 in general funds for the Maryland Farms and Families Program, which was established by Chapters 395 and 396 of 2017 and expanded by Chapters 574 and 575 of 2019, which also created a \$100,000 funding mandate in the Marketing and Agriculture Development program. The purpose of the Maryland Farms and Families Program is to double the purchasing power of food-insecure Maryland residents with limited access to fresh fruits and vegetables and to increase revenue for farmers through redemption of federal nutrition benefits at Maryland farmers markets.

In terms of Office of Resource Conservation Grant decreases, the largest decrease is for the Animal Waste Technology Fund. The fund provides incentives to companies that demonstrate new technologies on farms and provide alternative strategies for managing animal manure. The fund's appropriation decreases by \$4,619,982 from \$6,356,966 to \$1,736,984, although MDA notes that a portion of the \$2,800,000 for grants to farmers from the Chesapeake Bay Atlantic Coastal Bays 2010 Trust Fund reflected above could be used for this purpose. This reflects a decrease of \$3,017,379 in Strategic Energy Investment Fund (SEIF) special funds that were a condition of approval for the Exelon/Constellation merger. The fiscal 2021 allowance includes \$1,500,000 in special funds for the Animal Waste Technology Fund that appear to no longer be necessary given a fiscal 2020 budget amendment that provided for the remainder of prior year SEIF special funds. **DLS recommends that the special fund appropriation in the Program Planning and Development program within the**

Office of Resource Conservation attributable to the Animal Waste Technology Fund be reduced by \$1,500,000.

Other grant decreases include a net decrease of \$2,082,488 for soil conservation district funding and a decrease of \$1,500,000 in general funds for one-time funding to subsidize dairy farmers' involvement in the federal Dairy Margin Coverage Program in the Marketing and Agriculture Development program. The soil conservation district funding decrease reflects the reduction of \$2,646,248 that is offset partially by an increase of \$563,760 due to the one-time fiscal 2020 deficiency that shifted funding from grants to personnel. Overall, there is an increase of \$1,600,000 from \$3,290,000 to \$4,890,000 in Chesapeake and Atlantic Coastal Bays 2010 Trust Fund reimbursable funds for agricultural technical assistance to soil conservation districts that is spread primarily between the Resource Conservation Operations and Resource Conservation Grants programs, but this funding is now reflected as personnel funding instead of as grant funding. The funding for the federal Dairy Margin Coverage Program subsidy is not expected to be used completely. The calendar 2019 subsidy provided to dairy farmers is \$687,362, and the calendar 2020 subsidy is \$586,385. As a result, only \$1,273,747 of the \$1,500,000 general fund appropriation will be used in fiscal 2020. Therefore, \$216,253 could be transferred to the General Fund leaving \$10,000 for any remaining subsidy payments. **DLS recommends that a Budget Reconciliation and Financing Act (BRFA) provision be adopted to transfer \$216,253 in fiscal 2020 general funds from the Marketing and Agriculture Development program to the General Fund reflecting unused federal Dairy Margin Coverage Program premium subsidy funding.**

Routine Operations

Under routine operations, there are several increases in the fiscal 2021 allowance. There is an increase of \$181,400 in special funds for the Maryland Agricultural Land Preservation Foundation related to the return to a single-year application cycle that increases the volume of work. This funding increase is comprised of \$131,400 for a Memorandum of Understanding with DGS to fund 2 new Assistant Attorneys General (AAG) – 1 regular position and 1 contractual FTE – and 2 new appraisers – 1 regular position and 1 contractual FTE split with DGS. MDA notes that overall, it is paying for 3 AAGs, 1 legal assistant, and 2.5 appraisers. There is also an increase of \$50,000 in special funds for settlement fees related to new easement acquisitions as well as anticipated expenses that may occur for nonacquisition transactional expenses outside of the annual application cycle.

Other increases include \$151,000 in the Nutrient Management program comprised of \$96,000 in reimbursable funds for PMT field testing and \$55,000 in federal funds for upgrades to software used by University of Maryland Extension nutrient management plan writers under the Chesapeake Bay Regulatory and Accountability Program grant. In the Food Quality Assurance program, there is an increase of \$107,360 in federal funds for the University of Maryland Agricultural Law Education Initiative to provide additional educational resources for the State Produce Safety project through MDA's Cooperative Agreement with the U.S. Food and Drug Administration.

There are two reductions highlighted under routine operations. There is a decrease of \$651,894 for the Targeted States Program and a net decrease of \$91,000 for the Animal Health program. The Targeted States Program funding was provided to promote risk management and crop insurance

L00A – Department of Agriculture

products in underserved states by USDA’s Risk Management Agency. The direct funding was eliminated in the 2018 Farm Bill, and the funding was transferred to the Regional Risk Management Education Centers in collaboration with Land Grant Universities – the nearest of which is located at the University of Delaware. The net decrease for the Animal Health program reflects a decrease of \$231,000 – \$186,000 in general funds and \$45,000 in special funds – for one-time equipment funded for the new animal health laboratory at Salisbury that is now being funded through the capital budget in fiscal 2021. This decrease is offset partially by an increase of \$140,000 in general funds to address a funding deficit for test materials and testing equipment due to rising costs, software licensing and maintenance costs, replacement costs for aging capital equipment, and facility repairs.

Personnel Data

	<u>FY 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>FY 20-21</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	352.10	354.10	410.10	56.00
Contractual FTEs	<u>42.16</u>	<u>60.40</u>	<u>68.17</u>	<u>7.77</u>
Total Personnel	394.26	414.50	478.27	63.77

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	22.38	6.32%
Positions and Percentage Vacant as of 12/31/19	41.90	11.83%
Vacancies Above Turnover	19.52	

- MDA regular positions increase by 56.0 between the fiscal 2020 working appropriation and the fiscal 2021 allowance. The position increases include 40.0 positions that were previously Chesapeake and Atlantic Coastal Bays 2010 Trust Fund grant-funded soil conservation district positions brought in via a fiscal 2020 deficiency appropriation and 13.0 additional positions included in the fiscal 2021 allowance. The 13.0 additional positions in the fiscal 2021 allowance include 10.0 positions for soil conservation districts, 1.0 agronomist I and 1.0 laboratory technician I to address hemp production as part of the Hemp Farming Program established by Chapter 228 (Agriculture – Hemp Research and Production), and 1.0 entomologist I pest management position to manage the spotted lanternfly program using federal funding.
- MDA had 41.9 regular positions that were vacant as of December 31, 2019, of which 9.9 had been vacant for more than a year. MDA notes that the 9.9 positions vacant for more than a year are spread across the agency’s units and are in various stages of reclassification, interagency transfer, recruitment, and hiring.
- MDA FTEs increase by a net of 7.77 FTEs in the fiscal 2021 allowance. MDA has noted in the past that contractual FTEs are used to balance workloads on an as-needed basis.

L00A – Department of Agriculture

- The MDA turnover rate decreased from 6.81% in the fiscal 2020 working appropriation to 6.32% in the fiscal 2021 allowance. Therefore, MDA must hold open 22.38 positions throughout fiscal 2021. MDA had 41.9 positions vacant, or 11.38%, as of December 31, 2019, and while some of these positions have been or will be filled, there are sufficient vacancies for MDA to meet turnover.

Key Observations

1. With Maryland Agricultural Strategic Plan Submission, Efforts Shift to Implementation

The fiscal 2020 operating budget restricted \$200,000 in general funds in MDA’s budget until MDA, in coordination with the Harry R. Hughes Center for Agro-Ecology, submitted a Maryland agricultural strategic plan. The plan was required to include, but not be limited to, an analysis of the demographics of farmers, the affordability and quality of food for consumers, the affordability of farms for the next generation of farmers, nutrient and sediment loading reductions for Chesapeake Bay restoration, and economic development programs supporting agriculture, such as the work of MARBIDCO. The strategic plan was required to be submitted by December 1, 2019.

The submitted report notes that MDA took an inclusive approach to the development of the plan by hiring Mitchen Leadership and Organization Development to facilitate listening sessions across the State and by creating an online survey. Based on the solicited input from stakeholders, the strategic plan notes the following trends and external forces: rising costs of production; increasing regulation; environmental stewardship; access and affordability of labor; urbanization and land use; consumer perception of agriculture; and consumer preferences. In terms of agricultural industry strengths, the strategic plan notes the following: commitment to conservation; effective government programs; promoting agricultural products; education; land preservation; balance and diversification; collaboration; and food quality and safety. Agricultural industry challenges include profitability, regulatory climate, consumer perception of agriculture, education, funding for technical assistance, lack of equity in the Chesapeake Bay watershed clean-up, access to healthy food choices, infrastructure, and uncertainty for the next generation.

The vision statement developed from the solicited input from stakeholders reflects a collaborative agricultural industry based on localized processing and distribution systems operated by a highly-trained workforce that provides nutritious food at all geographic scales to consumers knowledgeable about production agriculture under a regime where the next generation of farmers would experience no financial barriers to starting new operations. The initiative areas identified to achieve the vision include market development, infrastructure development, continued commitment to conservation, workforce development, partnerships for technical assistance, and embracing technology. In terms of next steps, the Harry R. Hughes Center for Agro-Ecology facilitated a discussion among stakeholders involved in the development of the strategic plan in January 2020 on work being done to address the priority areas identified in the plan, what stakeholders are doing, areas of potential collaboration, and some short- and long-term action items. In terms of the fiscal 2021 allowance, there is funding in MDA’s budget for 53 new soil conservation district positions to address the challenge of funding for technical assistance that was noted as one of the challenges in the strategic plan. **DLS recommends that committee narrative be adopted requesting that MDA continue to report on the discussions around the implementation of Maryland’s agricultural strategic plan.**

2. Dairy Margin Coverage Program Supports Maryland’s Farms

The fiscal 2020 operating budget restricted a portion of the premium payment funding for inclusion in the Dairy Margin Coverage Program until MDA submitted a report on the method of payment to reimburse farmers for premium costs and on how the funding is actually allocated. The federal Dairy Margin Coverage Program is a modification of the Margin Protection Program for Dairy passed in the 2018 Farm Bill. The intent behind MDA providing premium payment funding was that it would encourage involvement by dairy farmers in the program as dairy farmers are challenged by low milk prices and high feed costs. A preliminary report was submitted on July 30, 2019, providing background information and indicating that, since dairy producers could enroll in the federal program through September 20, 2019, a follow-up report would be provided by October 20, 2019, outlining the distribution of funds. The second report was submitted on December 5, 2019, and provided additional background information and the allocation of funding by county.

The reports note that payouts from the Dairy Margin Coverage Program are triggered when the milk price-feed cost margin – the price of milk minus the cost of feed needed to procure a hundredweight of milk – falls below the insured margin, which is \$9.50 in this case. The reports note that MDA paid the calendar 2019 – retroactive to January 1, 2019 – premium of \$0.15 per hundredweight for farmers’ first five million pounds of milk production at the highest coverage level of \$9.50 per hundredweight. This funding was \$687,362 in calendar 2019 and supported dairy farmers in 14 counties of which the top 3 were Frederick County (\$204,239), Washington County (\$121,013), and Carroll County (\$83,761). As of November 12, 2019, Maryland dairy farmers who participated in the Dairy Margin Coverage Program received \$2.7 million in insurance payments.

With the payment of \$687,362, there was \$812,638 remaining of the \$1,500,000 appropriation. MDA used \$586,385 of this remaining funding to reimburse farmers for calendar 2020 premium costs under the Dairy Margin Coverage Program as well. Similar to the calendar 2019 premium payments, the funding supported 14 counties of which the top 3 remained the same: Frederick County (\$149,157); Washington County (\$107,063); and Carroll County (\$76,580). Elsewhere in this analysis, DLS has recommended that a BRFA provision be adopted transferring the remaining \$216,253 in general funds from the Marketing and Agriculture Development program to the General Fund in fiscal 2020 leaving \$10,000 for any remaining subsidy payments. **DLS recommends that committee narrative be adopted requesting information on the overall status of the dairy industry in Maryland, including the number of farms, milk production in million pounds, and average milk price for calendar 2015 through 2020 as well as what actions are being taken to mitigate the concerns of low milk price and high feed cost. In addition, it is recommended that the report include the following calendar 2019 and 2020 measures by month for the Dairy Margin Coverage Program: all milk prices in dollars per hundredweight; feed cost for the program in dollars per hundredweight; the milk margin above the feed cost; and the Maryland dairy farmer payment with \$9.50 protection.**

Operating Budget Recommended Actions

1. Adopt the following narrative:

Maryland’s Agricultural Strategic Plan Implementation: The budget committees appreciate the submission of Maryland’s agricultural strategic plan and understand that there are ongoing stakeholder discussions about implementation of the plan. The budget committees request that the Maryland Department of Agriculture (MDA) submit a report on the status of these discussions, including any information about action items, responsible parties, and implementation status. The report is requested to be submitted by December 1, 2020.

Information Request	Author	Due Date
Maryland’s agricultural strategic plan implementation	MDA	December 1, 2020

2. Adopt the following narrative:

Dairy Industry Status Report: The budget committees are concerned that the dairy industry in Maryland is facing the dual challenge of low milk prices and high feed costs. Therefore, the budget committees request that the Maryland Department of Agriculture (MDA) submit a report on the overall status of the dairy industry in Maryland including the number of farms, milk production in million pounds, and average milk price for calendar 2015 through 2020; and what actions are being taken to mitigate the concerns of low milk price and high feed cost. In addition, the budget committees request that the report include the following calendar 2019 and 2020 measures by month for the Dairy Margin Coverage Program: all milk prices in dollars per hundredweight; feed cost for the Program in dollars per hundredweight; the milk margin above the feed cost; and the Maryland dairy farmer payment with \$9.50 protection. The report is requested to be submitted by January 1, 2021.

Information Request	Author	Due Date
Dairy industry status report	MDA	January 1, 2021

- | | <u>Amount Reduction</u> |
|--|--------------------------------|
| 3. Delete funding for the Animal Waste Technology Fund. The funding was budgeted as being supported by Strategic Energy Investment Fund special funds that were a condition of approval for the Exelon/Constellation merger. This funding is not | \$ 1,500,000 SF |

L00A – Department of Agriculture

available for this purpose, so the special fund appropriation is unnecessary.

4. Adopt the following narrative:

Office of Resource Conservation Grants Funding Report: The budget committees are concerned that there is insufficient information in the support materials provided with the fiscal 2021 budget to determine the grant funding in the Maryland Department of Agriculture’s (MDA) Office of Resource Conservation. Therefore, the budget committees request that MDA submit a report on the Office of Resource Conservation grant funding levels for the fiscal 2021 working appropriation and fiscal 2022 allowance by fund and fund source including, but not limited to, the following grants: Manure Transport Program; Cover Crop Program; Animal Waste Technology Fund; Conservation Reserve Enhancement Program; Phosphorus Management Tool; grants to farmers; and agricultural technical assistance to soil conservation districts. The report is requested to be submitted with the fiscal 2022 budget submission.

Information Request	Author	Due Date
Office of Resource Conservation grants funding report	MDA	Fiscal 2022 budget submission
Total Special Fund Reductions		\$ 1,500,000

Budget Reconciliation and Financing Act Recommended Actions

1. The Department of Legislative Services recommends that a Budget Reconciliation and Financing Act provision be adopted to transfer \$216,253 in fiscal 2020 general funds from the Marketing and Agriculture Development program to the General Fund, reflecting unused federal Dairy Margin Coverage Program subsidy funding.

Updates

- **Rural Maryland Council Managing for Results (MFR) Measures:** The 2019 *Joint Chairmen’s Report* included committee narrative requesting that the Rural Maryland Council submit a report by September 1, 2019, on input, output, outcome, and efficiency measures that show the direct connection between the funding that it provides in grants and the improvement in quality of life in rural communities. This narrative was requested because the fiscal 2020 budget included \$5.8 million for the Rural Maryland Council to provide grants to improve outcomes in rural communities, and yet the MFR measures provided with the fiscal 2020 budget submission were too general to reflect any meaningful impact by the Rural Maryland Council’s grants. The submitted report notes that, in fiscal 2019, the Rural Maryland Council purchased a grants management software system to facilitate the application, decision making, and reporting processes. The measures that the Rural Maryland Council intends to include in future required funding reports from grantees include the number of jobs created, the number of individuals served, non-State funding leveraged, hours of instruction, research tools created, capital investment made, the number of services provided, and the number of loans made. Of these measures, the Rural Maryland Council intends to include the following measures in its MFR submission: number of individuals served; research tools created; number of services provided; and number of loans made. The Rural Maryland Council notes that \$2,316,830 in fiscal 2019 funding through the Rural Maryland Prosperity Investment Fund for infrastructure, health care, and entrepreneurship provided for the following outcomes: 657 new full time jobs; 18,755 individuals served; 5,406 hours of instruction; \$1,147,389 in capital investment; and 124,099 rural Marylanders receiving services. The entire grant funding for fiscal 2019 of \$5,789,732, which includes the funding received by the three regional councils and the Maryland Agricultural Education and Rural Development Assistance Board funding, provided for \$5,891,531 in non-State funds leveraged.
- **Enforcement and Inspection Position Strength Assessment and Vacant Position Filling:** The fiscal 2020 Budget Bill restricted \$200,000 in general fund appropriations in each of MDA’s and the Maryland Department of the Environment’s budgets for filling vacant compliance and enforcement positions and further restricted the funding until the submission of quarterly reports. The reports note that Agricultural Nutrient Management Program inspections are anticipated to reach 19% to 20% of regulated farms in fiscal 2020. DLS notes that this seems optimistic based on the data provided so far. In fiscal 2019, 1,031 inspections were conducted, almost 86 inspections per month, which was 19.5% of total farms. This reflects an estimated 5,287 farms that are regulated. So far, in fiscal 2020, information has been provided on 366 actual inspections conducted over five months, or 73 inspections per month. Therefore, the current rate of inspections suggests that MDA is on track for approximately 878 inspections for the year. Assuming 5,287 farms, only 17% of farms would be inspected in fiscal 2020. It is possible that the anticipated 19% to 20% inspection level is based on the assumption that the current 8.5 inspectors will continue to be available from January 2020 through June 2020, whereas, in fiscal 2019, only 8 inspectors were available from January 2019 through June 2019.

Appendix 1
2019 Joint Chairmen’s Report Responses from Agency

The 2019 *Joint Chairmen’s Report* (JCR) requested that the Maryland Department of Agriculture (MDA) prepare four reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services (DLS) Library website.

- ***With Maryland Agriculture Strategic Plan Submission, Efforts Shift to Implementation:*** Budget bill language in the fiscal 2020 operating budget restricted funding until MDA and the Harry R. Hughes Center for Agro-Ecology, Inc. submitted a comprehensive Maryland agriculture strategic plan to the budget committees. Further discussion of this report can be found in Key Observation 1 of this analysis.
- ***Dairy Margin Coverage Program Supports Maryland’s Farms:*** Budget bill language in a fiscal 2020 supplemental operating budget appropriation restricted funding until the submission of a report on the method of payment to reimburse farmers for premium costs and for participation in the federal Dairy Margin Coverage Program and on how the funding actually was allocated. Further discussion of this report can be found in Key Observation 2 of this analysis.
- ***Rural Maryland Council Measuring for Results Measures:*** Committee narrative in the 2019 JCR requested that the Rural Maryland Council submit a report on input, output, outcome, and efficiency measures that show the direct connection between the funding that the Rural Maryland Council provides in grants and the improvements in quality of life in rural communities. Further discussion of this report can be found in the first update of this analysis.
- ***Enforcement and Inspection Position Strength Assessment and Vacant Position Filling:*** Budget bill language in the fiscal 2020 operating budget restricted funding until the submission of quarterly reports from the Maryland Department of the Environment and MDA on compliance and enforcement inspections and positions and then further restricted the funding for filling vacant compliance and enforcement positions. Further discussion of this report can be found in the second update of this analysis.

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

<u>Object/Fund</u>	<u>FY 19 Actual</u>	<u>FY 20 Working Appropriation</u>	<u>FY 21 Allowance</u>	<u>FY 20 - FY 21 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	352.10	354.10	410.10	56.00	15.8%
02 Contractual	44.26	60.40	68.17	7.77	12.9%
Total Positions	396.36	414.50	478.27	63.77	15.4%
Objects					
01 Salaries and Wages	\$ 28,139,492	\$ 30,964,162	\$ 34,018,711	\$ 3,054,549	9.9%
02 Technical and Special Fees	1,839,934	2,285,168	2,382,571	97,403	4.3%
03 Communication	724,612	298,809	308,649	9,840	3.3%
04 Travel	527,452	545,981	546,074	93	0%
06 Fuel and Utilities	646,834	724,959	745,824	20,865	2.9%
07 Motor Vehicles	1,120,179	1,850,938	1,777,314	-73,624	-4.0%
08 Contractual Services	6,818,098	9,642,962	9,670,902	27,940	0.3%
09 Supplies and Materials	1,426,619	1,514,779	1,668,477	153,698	10.1%
10 Equipment – Replacement	668,735	561,321	339,151	-222,170	-39.6%
11 Equipment – Additional	23,354	100,650	59,000	-41,650	-41.4%
12 Grants, Subsidies, and Contributions	45,428,638	54,956,765	50,742,666	-4,214,099	-7.7%
13 Fixed Charges	958,245	1,158,577	1,279,183	120,606	10.4%
14 Land and Structures	266,252	205,000	255,000	50,000	24.4%
Total Objects	\$ 88,588,444	\$ 104,810,071	\$ 103,793,522	-\$ 1,016,549	-1.0%
Funds					
01 General Fund	\$ 34,979,726	\$ 39,863,885	\$ 37,831,334	-\$ 2,032,551	-5.1%
03 Special Fund	28,342,651	35,152,414	35,236,676	84,262	0.2%
05 Federal Fund	5,573,175	7,501,729	7,356,090	-145,639	-1.9%
09 Reimbursable Fund	19,692,892	22,292,043	23,369,422	1,077,379	4.8%
Total Funds	\$ 88,588,444	\$ 104,810,071	\$ 103,793,522	-\$ 1,016,549	-1.0%

Note: The fiscal 2020 appropriation does not include deficiencies, planned reversions, or general salary increases. The fiscal 2021 allowance does not include contingent reductions or general salary increases.